



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #567

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

[LFB 2017-19 Budget Summary: Page 410, #2]

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 2016 (2016-17), utility aid payments equaled \$35.2 million for counties and \$37.8 million for municipalities, or \$73.0 million in total.

GOVERNOR

Decrease estimated payments by \$187,100 in 2017-18 and increase estimated payments by \$592,000 in 2018-19 from the sum sufficient public utility distribution account to reflect the estimated payment amounts in the biennium. With these adjustments, base level funding of

\$74,100,000 would decrease to \$73,912,900 in 2017-18 and increase to \$74,692,000 in 2018-19.

MODIFICATION

Decrease estimated aid payments by \$12,900 in 2017-18 and increase estimated aid payments by \$108,000 in 2018-19, relative to the amounts in the bill.

Explanation: Payments for 2016-17 were made in November, 2016, and totaled \$72,958,200, more than \$1.1 million below the base year estimate. Total aid payments are estimated at \$73,900,000 in 2017-18 and \$74,800,000 in 2018-19. These amounts represent increases of 1.3% in 2017-18 compared to the 2016-17 actual amount and 1.2% in 2018-19 over the 2017-18 reestimate. For the 2015-17 biennium, increases equaled 2.8% in 2014-15 and 0.3% in 2016-17, but averaged 2.9% over the last five years. The rates of increase in 2017-19 are expected to be lower than that average as no new plants will be brought on-line and aid for the decommissioned Kewaunee Power and Alma Stations will continue to be phased out. 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	
	Base	Bill
GPR	\$500,000	\$95,100

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