



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #651

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

[LFB 2019-21 Budget Summary: Page 383, #3]

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#### **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 2018 (2018-19), utility aid payments equaled \$36.4 million for counties and \$38.9 million for municipalities, or \$75.3 million in total.

#### **GOVERNOR**

Increase estimated payments by \$1,270,600 GPR in 2019-20 and \$2,028,700 GPR in 2020-21 in the sum sufficient public utility distribution account to reflect estimated payment amounts. With these adjustments, base level funding of \$74,530,600 would increase to \$75,801,200 in 2019-

20 and \$76,559,300 in 2020-21.

## MODIFICATION

Increase estimated payments by \$1,198,800 GPR in 2019-20 and \$2,740,700 GPR in 2020-21.

**Explanation:** Total aid payments are estimated at \$77,000,000 GPR in 2019-20 and \$79,300,000 GPR in 2020-21. These amounts represent increases of 3.3% in 2019-20 over the base amount and 3.0% in 2020-21 over the 2019-20 reestimate. However, the actual amount for 2018-19 will exceed the base year estimate of \$74,530,600 by \$740,900. The actual payment of \$75,271,500 is known because the final payments from the appropriation were made in November, 2018, and included in this office's January general fund reestimates. Using the 2018-19 actual amount, year-to-year increases of 2.3% in 2019-20 and 3.0% in 2020-21 are expected under the reestimates. The 2018-19 payment amount increased 2.3% over the payment amount for 2017-18. The reestimates forecast payment increases in both years, due largely to increases in the value of property aided under the nine-mill formula, where enhancements to the state's electric transmission system require additional substations and substation improvements, and under the basic capacity aid and incentive aid formulas due to payments related to the Quilt Block Wind Farm in Lafayette County and the West Riverside Energy Center in Rock County. Riverside is a 650 MW natural gas production plant that is currently under construction and scheduled for completion late this year. As of December, 2018, the plant construction was 72% complete. This estimate assumes that the plant would begin operation in 2019, and utility aid payments will first be made in 2020 (2020-21). The resulting public utility aid payments to the Town of Beloit and Rock County are estimated at \$2.1 million annually.

	Change to	
	Base	Bill
GPR	\$7,238,800	\$3,939,500

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