WISCONSIN COUNTIES UTILITY TAX ASSOCIATION

Thursday May 9, 2019 Board Agenda
Wisconsin Counties Association Board Room
22 E Mifflin St #900, Madison WI 53703
Time: 10:30 A.M. – 1:00 P.M. WORKING LUNCH
CALL IN INSTRUCTIONS:
CALL IN NUMBER: (515) 606-5187 Hit #
PARTICIPANT CODE: 935752 Hit #
LEADER CODE: Alice will open the line

Time: 10:30 A.M - 1: 30 P.M. ANNUAL MEETING WORKING LUNCH

- Call to Order/Introductions Interim President Brad Karger
  - Roll Call/ Welcome Guests
  - Welcome New Chippewa County Representatives
  - Mechele Shipman, Board Supervisor
  - Leigh Darrow, Board Chair
  - Randy Scholz, County Administrator
  - Minutes from March 12, 2019 Special Meeting
  - Commendation for Rick Olin Legislative Fiscal Bureau due to retire
- Audit Committee Presentation- Supervisor Yeomans
- Treasurer's Report- Supervisor Yeomans
- Nominating Committee- Supervisor Hoffman
- Executive Director Report: Alice O'Connor and Kelly McDowell
  - WCUTA Bill draft LRB FINAL BILL DRAFT BASED ON SUPPORT BY League of Municipalities, WI Towns Association, WCA and WCUTA Coalition Proposal (LRB 1579/P1
  - Budget motion/ white paper and analysis
  - TOWNS ASSOCIATION LRB 2731- Rep. Samantha Kerkman
- Exemptions in levy limits for utility aid step down- reduce utility aid 10 years, not 5: and allow increase in local levy by amount of lost utility aid payments
  - ASSOCIAITON LRB 1468/P2 Rep. Pat Snyder
- Carve out from levy limits
- Next meeting date
- Adjourn

WCUTA
2019 Officers

President
VACANT

Vice President
BRAD KARGER
(715) 261-1400
Marathon County

Secretary
WILLIAM GOEHRING
(920) 994-4749
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Treasurer
BOB YEOMANS
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Member Counties

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ROCK
SAUK
SHEBOYGAN
VERNON
WASHBURN
WASHINGTON
WAUSHARA
WOOD

State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-2731/P1
EVM&JK:amn&kjf

Kerkman

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

AN ACT ***to renumber*** 79.04 (5) (a) 1. to 5. and 79.04 (5) (b) 1. to 5.; and ***to create*** 66.0602 (3) (e) 10., 79.04 (5) (a) 1m. (intro.), 79.04 (5) (a) 2m., 79.04 (5) (b) 1m. (intro.) and 79.04 (5) (b) 2m. of the statutes; **relating to:** public utility aid payments for closed or decommissioned plants and an exception from local levy limits for political subdivisions receiving such payments.

Analysis by the Legislative Reference Bureau

This bill creates a levy limit exception for political subdivisions that receive certain utility aid payments.

Generally under current law, local levy limits are applied to the property tax levies that are imposed by a political subdivision in December of each year. Current law prohibits any political subdivision from increasing its levy by a percentage that exceeds its "valuation factor," which is defined as the greater of either zero percent or the percentage change in the political subdivision's equalized value due to new construction, less improvements removed.

Current law contains a number of exceptions to the levy limit, such as amounts a county levies for a countywide emergency medical system, for a county children with disabilities education board, and for certain bridge and culvert construction and repair. In addition, a political subdivision may exceed the levy limit that is otherwise applicable if its governing body adopts a resolution to do so and if that resolution is approved by the electors in a referendum.

Also under current law, if a power plant that is exempt from property taxes is decommissioned or closed, and therefore becomes taxable, the county and municipality where the plant is located receive a utility aid payment from the state for the first five years in which the plant is subject to the property tax in an amount equal to a percentage of the utility aid payment that the county or municipality received for the last year in which the plant was exempt. The percentage decreases by 20 percent each year.

This bill creates a levy limit exception for a political subdivision that is receiving these utility aid payments. The amount that is exempt from the levy limit is equal to the full amount of the utility aid in the first year less the amount of the utility aid to be paid to the political subdivision in the year in which the levy is imposed.

Finally, this bill provides that if a production plant is decommissioned or closed and becomes taxable, the county and municipality where the plant is located receives a utility aid payment for the first ten years in which the plant is subject to the property tax in an amount equal to a percentage of the utility aid payment that the county or municipality received for the last year in which the plant was exempt. The amount decreases by 10 percent each year.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 66.0602 (3) (e) 10. of the statutes is created to read:

66.0602 **(3)** (e) 10. For a political subdivision that will receive a payment under s. 79.04 (5) (a) or (b), the amount that the political subdivision levies in that year to replace revenue reductions under s. 79.04 (5) (a) or (b). The amount levied under this subdivision may not exceed the amount paid to the political subdivision under s. 79.04 (5) (a) 1. or (b) 1. less the amount to be paid to the political subdivision under s. 79.04 (5) (a) or (b) in the year in which the levy is imposed.

SECTION 2. 79.04 (5) (a) 1. to 5. of the statutes are renumbered 79.04 (5) (a) 1m. a. to e.

SECTION 3. 79.04 (5) (a) 1m. (intro.) of the statutes is created to read:

79.04 **(5)** (a) 1m. (intro.) For property decommissioned or closed before January 1, 2019:

SECTION 4. 79.04 (5) (a) 2m. of the statutes is created to read:

79.04 **(5)** (a) 2m. For property decommissioned or closed after December 31, 2018:

a. In the first year that the property is taxable, 100 percent.

b. In the 2nd year that the property is taxable, 90 percent.

c. In the 3rd year that the property is taxable, 80 percent.

d. In the 4th year that the property is taxable, 70 percent.

e. In the 5th year that the property is taxable, 60 percent.

f. In the 6th year that the property is taxable, 50 percent.

g. In the 7th year that the property is taxable, 40 percent.

h. In the 8th year that the property is taxable, 30 percent.

i. In the 9th year that the property is taxable, 20 percent.

j. In the 10th year that the property is taxable, 10 percent.

SECTION 5. 79.04 (5) (b) 1. to 5. of the statutes are renumbered 79.04 (5) (b) 1m. a. to e.

SECTION 6. 79.04 (5) (b) 1m. (intro.) of the statutes is created to read:

79.04 **(5)** (b) 1m. (intro.) For property decommissioned or closed before January 1, 2019:

SECTION 7. 79.04 (5) (b) 2m. of the statutes is created to read:

79.04 **(5)** (b) 2m. For property decommissioned or closed after December 31, 2018:

a. In the first year that the property is taxable, 100 percent.

b. In the 2nd year that the property is taxable, 90 percent.

c. In the 3rd year that the property is taxable, 80 percent.

d. In the 4th year that the property is taxable, 70 percent.

e. In the 5th year that the property is taxable, 60 percent.

f. In the 6th year that the property is taxable, 50 percent.

g. In the 7th year that the property is taxable, 40 percent.

h. In the 8th year that the property is taxable, 30 percent.

i. In the 9th year that the property is taxable, 20 percent.

j. In the 10th year that the property is taxable, 10 percent.

(END)

State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1468/P2
EVM:amn

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

AN ACT ***to create*** 66.0602 (3) (e) 10. of the statutes; **relating to:** exception from local levy limits for political subdivisions receiving certain utility aid payments.

Analysis by the Legislative Reference Bureau

This bill creates a levy limit exception for political subdivisions that receive certain utility aid payments.

Generally under current law, local levy limits are applied to the property tax levies that are imposed by a political subdivision in December of each year. Current law prohibits any political subdivision from increasing its levy by a percentage that exceeds its "valuation factor," which is defined as the greater of either zero percent or the percentage change in the political subdivision's equalized value due to new construction, less improvements removed.

Current law contains a number of exceptions to the levy limit, such as amounts a county levies for a countywide emergency medical system, for a county children with disabilities education board, and for certain bridge and culvert construction and repair. In addition, a political subdivision may exceed the levy limit that is otherwise applicable if its governing body adopts a resolution to do so and if that resolution is approved by the electors in a referendum.

Also under current law, if a power plant that is exempt from property taxes is decommissioned or closed, and therefore becomes taxable, the county and municipality where the plant is located receive a utility aid payment from the state for the first five years in which the plant is subject to the property tax in an amount equal to a percentage of the utility aid payment that the county or municipality received for the last year in which the plant was exempt. The percentage decreases by 20 percent each year.

This bill creates a levy limit exception for a political subdivision that is receiving these utility aid payments. The amount that is exempt from the levy limit is equal to the full amount of the utility aid in the first year less the amount of the utility aid to be paid to the political subdivision in the year in which the levy is imposed.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 66.0602 (3) (e) 10. of the statutes is created to read:

66.0602 **(3)** (e) 10. For a political subdivision that will receive a payment under s. 79.04 (5) (a) or (b), the amount that the political subdivision levies in that year to replace revenue reductions under s. 79.04 (5) (a) or (b). The amount levied under this subdivision may not exceed the amount paid to the political subdivision under s. 79.04 (5) (a) 1. or (b) 1. less the amount to be paid to the political subdivision under s. 79.04 (5) (a) or (b) in the year in which the levy is imposed.

(END)

Comparison of State Utility Tax Collections and Utility Aid Payments, Most Recent Ten Years

Utility Tax Collections	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 Est.
Private Light, Heat, & Power*	$223,470,638	$208,616,370	$227,317,956	$231,579,943	$226,078,921	$232,346,764	$243,788,828	$226,050,354	$229,622,060	$227,700,000
Electric Cooperatives*	10,548,857	10,394,871	11,554,215	11,164,359	11,275,756	12,089,088	12,231,394	11,747,206	12,045,639	11,855,000
Municipal Light, Heat, & Power*	2,747,374	2,925,384	3,190,053	3,028,528	3,168,833	3,354,663	3,298,395	3,488,001	2,895,443	3,175,000
Association of Municipal Electric*	3,459,050	4,145,929	4,862,817	5,170,611	4,992,202	5,170,115	5,161,878	4,946,854	4,934,603	4,802,000
Pipelines	16,182,946	23,051,415	27,108,062	33,673,847	28,396,076	35,463,868	34,994,107	37,315,661	39,726,900	45,295,000
Telephones	63,455,211	70,031,314	67,021,928	80,976,003	67,340,379	72,198,849	81,943,205	76,473,827	70,782,900	64,817,000
Conservation & Regulation	68,460	82,932	118,961	132,779	129,121	148,513	184,769	214,998	209,447	218,652
Carlines	168,056	128,183	169,256	179,379	182,945	192,812	201,331	159,649	139,082	181,000
Total	$320,100,591	$319,376,398	$341,343,248	$365,905,448	$341,564,233	$360,964,672	$381,803,908	$360,396,550	$360,356,074	$358,043,652
Annual Change		-0.2%	6.9%	7.2%	-6.7%	5.7%	5.8%	-5.6%	0.0%	-0.6%
Subtotal Basis for Utility Aid (*)	$240,225,918	$226,082,554	$246,925,041	$250,943,440	$245,515,712	$252,960,630	$264,480,495	$246,232,415	$249,497,745	$247,532,000
Annual Change		-5.9%	9.2%	1.6%	-2.2%	3.0%	4.6%	-6.9%	1.3%	-0.8%

Utility Aid	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
9 Mill Formula & Nuclear Storage	$33,733,724	$21,689,392	$22,931,937	$23,171,910	$25,362,861	$25,890,676	$25,474,838	$29,238,319	$26,412,621	$26,163,022
Capacity Aid	4,500,000	30,541,733	31,433,933	32,766,333	34,271,933	35,171,933	35,189,933	35,026,533	35,597,133	35,465,833
Incentive Aid	1,742,400	5,854,000	5,871,000	7,349,400	9,175,800	9,175,800	9,352,200	9,424,080	9,413,880	9,375,880
Per Capita Limit, Old vs New Law	-51,019	-909,939	-914,085	-1,045,003	-1,025,200	-1,043,113	736,656	-931,413	1,534,615	1,335,061
Total	$39,925,105	$57,175,186	$59,322,785	$62,242,640	$67,785,394	$69,195,296	$70,753,628	$72,757,520	$72,958,249	$72,339,796
Annual Change		43.2%	3.8%	4.9%	8.9%	2.1%	2.3%	2.8%	0.3%	-0.8%
County Portion	$20,327,889	$28,423,637	$29,281,515	$30,928,139	$32,993,165	$33,725,712	$34,426,993	$35,048,312	$35,171,959	$34,893,426
Annual Change		39.8%	3.0%	5.6%	6.7%	2.2%	2.1%	1.8%	0.4%	-0.8%
Municipal Portion	$19,597,215	$28,751,548	$30,041,269	$32,250,062	$34,792,229	$35,469,584	$36,326,634	$37,709,208	$37,786,291	$37,446,370
Annual Change		46.7%	4.5%	7.4%	7.9%	1.9%	2.4%	3.8%	0.2%	-0.9%

State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1579/P1
JK:ahe

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

AN ACT ***to amend*** 79.04 (1) (intro.), 79.04 (2) (a), 79.04 (4), 79.04 (6) (b), 79.04 (7) (a), 79.04 (7) (b), 79.04 (7) (c) 1. and 79.04 (7) (c) 1m.; and ***to create*** 79.04 (8) of the statutes; **relating to:** increasing the factors for determining public utility aid payments by the rate of inflation.

Analysis by the Legislative Reference Bureau

This bill annually increases the mill rates and dollar amounts that are used to determine the utility aid payments that the state distributes each year to counties and municipalities where power production plants are located. The increase is based on the annual percentage change in the consumer price index. For example, with regard to a plant that began operations before January 1, 2004, a city receives a payment based on multiplying a base dollar amount by 3 mills. With regard to a plant that began operations after December 31, 2003, a city receives a payment based on multiplying the plant's name-plate capacity by $2,000. Under the bill, beginning in 2020, that mill rate and dollar amount would increase to reflect the change in the consumer price index.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 79.04 (1) (intro.) of the statutes is amended to read:

79.04 **(1)** (intro.) Annually, except for production plants that begin operation after December 31, 2003, or begin operation as a repowered production plant after December 31, 2003, and except as provided in ~~sub.~~ subs. (4m) and (8), the department of administration, upon certification by the department of revenue, shall distribute to a municipality having within its boundaries a production plant, general structure, or substation, used by a light, heat, or power company assessed under s. 76.28 (2) or 76.29 (2), except property described in s. 66.0813 unless the production plant or substation is owned or operated by a local governmental unit located outside of the municipality, or by an electric cooperative assessed under ss. 76.07 and 76.48, respectively, or by a municipal electric company under s. 66.0825 the amount determined as follows:

SECTION 2. 79.04 (2) (a) of the statutes is amended to read:

79.04 **(2)** (a) Annually, except for production plants that begin operation after December 31, 2003, or begin operation as a repowered production plant after December 31, 2003, and except as provided in ~~sub.~~ subs. (4m) and (8), the department of administration, upon certification by the department of revenue, shall distribute from the public utility account to any county having within its boundaries a production plant, general structure, or substation, used by a light, heat or power company assessed under s. 76.28 (2) or 76.29 (2), except property described in s. 66.0813 unless the production plant or substation is owned or operated by a local governmental unit that is located outside of the municipality in which the production plant or substation is located, or by an electric cooperative assessed under ss. 76.07 and 76.48, respectively, or by a municipal electric company under s. 66.0825 an amount determined by multiplying by 6 mills in the case of property in a town and by 3 mills in the case of property in a city or village the first $125,000,000 of the amount shown in the account, plus leased property, of each public utility except qualified wholesale electric companies, as defined in s. 76.28 (1) (gm), on December 31 of the preceding year for "production plant, exclusive of land," "general structures," and "substations," in the case of light, heat and power companies, electric cooperatives or municipal electric companies, for all property within the municipality in accordance with the system of accounts established by the public service commission or rural electrification administration, less depreciation thereon as determined by the department of revenue and less the value of treatment plant and pollution abatement equipment, as defined under s. 70.11 (21), as determined by the department of revenue plus an amount from the public utility account determined by multiplying by 6 mills in the case of property in a town, and 3 mills in the case of property in a city or village, of the total original cost of production plant, general structures, and substations less depreciation, land and approved waste treatment facilities of each qualified wholesale electric company, as defined in s. 76.28 (1) (gm), as reported to the department of revenue of all property within the municipality. The total of amounts, as depreciated, from the accounts of all public utilities for the same production plant is also limited to not more than $125,000,000. The amount distributable to a county under this subsection and sub. (6) in any year shall not exceed $100 times the population of the county, except that, beginning with payments in 2009, the amount distributable to a county under this subsection and sub. (6) in any year shall not exceed $125 times the population of the county.

SECTION 3. 79.04 (4) of the statutes is amended to read:

79.04 **(4)** (a) Annually, in addition to the amounts distributed under subs. (1), (5), (6), and (7), <u>and except as provided in sub. (8),</u> the department of administration shall distribute $50,000 to a municipality if spent nuclear fuel is stored within the municipality on December 31 of the preceding year. If a spent nuclear fuel storage facility is located within one mile of a municipality, that municipality shall receive $10,000 annually and the municipality where that storage facility is located shall receive $40,000 annually.

(b) Annually, in addition to the amounts distributed under subs. (2), (5), (6), and (7), <u>and except as provided in sub. (8),</u> the department of administration shall distribute $50,000 to a county if spent nuclear fuel is stored within the county on December 31 of the preceding year. If a spent nuclear fuel storage facility is located at a production plant located in more than one county, the payment shall be apportioned according to the formula under sub. (1) (c) 2., except that the formula, as it applies to municipalities in that subdivision, applies to counties in this paragraph. The payment under this paragraph may not be less than $10,000 annually.

SECTION 4. 79.04 (6) (b) of the statutes is amended to read:

79.04 **(6)** (b) Subject to pars. (c) and (d), each municipality entitled to a payment under par. (a) and each county in which such a municipality is located shall receive a payment equal to a portion of an amount that is equal to the number of megawatts that represents the production plant's name-plate capacity, multiplied by $2,000<u>, except as provided in sub. (8)</u>.

SECTION 5. 79.04 (7) (a) of the statutes is amended to read:

79.04 **(7)** (a) Beginning with payments in 2005, if a production plant, as described in sub. (6) (a), other than a nuclear-powered production plant, is built on the site of, or on a site adjacent to, an existing or decommissioned production plant; or is built on a site purchased by a public utility before January 1, 1980, that was identified in an advance plan as a proposed site for a production plant; or is built on, or on a site adjacent to, brownfields, as defined in s. 238.13 (1) (a) or s. 560.13 (1) (a), 2009 stats., after December 31, 2003, and has a name-plate capacity of at least one megawatt, each municipality and county in which such a production plant is located shall receive annually from the public utility account a payment in an amount that is equal to the number of megawatts that represents the production plant's name-plate capacity, multiplied by $600, except as provided in sub. (8).

SECTION 6. 79.04 (7) (b) of the statutes is amended to read:

79.04 **(7)** (b) Beginning with payments in 2005, if a production plant, as described in sub. (6) (a), that is a baseload electric generating facility is built after December 31, 2003, and has a name-plate capacity of at least 50 megawatts, each municipality and county in which such a production plant is located shall receive annually from the public utility account a payment in an amount that is equal to the number of megawatts that represents the production plant's name-plate capacity, multiplied by $600, except as provided in sub. (8).

SECTION 7. 79.04 (7) (c) 1. of the statutes is amended to read:

79.04 **(7)** (c) 1. Except as provided in subd. 2., beginning with payments in 2005, if a production plant, as described in sub. (6) (a), that derives energy from an alternative energy resource is built after December 31, 2003, and has a name-plate capacity of at least one megawatt, each municipality and county in which such a production plant is located shall receive annually from the public utility account a payment in an amount that is equal to the number of megawatts that represents the production plant's name-plate capacity, multiplied by $1,000, except as provided in sub. (8).

SECTION 8. 79.04 (7) (c) 1m. of the statutes is amended to read:

79.04 **(7)** (c) 1m. Beginning with payments in 2005, if a cogeneration production plant, as described in sub. (6) (a), is built and completed after December 31, 2003, and has a name-plate capacity of at least one megawatt, each municipality and county in which such a cogeneration production plant is located shall receive annually from the public utility account a payment in an amount that is equal to the number of megawatts that represents the cogeneration production plant's name-plate capacity, multiplied by $1,000, except as provided in sub. (8). Any municipality or county that receives a payment under this subdivision in any year may not receive a payment under subd. 1. in that year, if the payment under subd. 1. is based on the same production plant as the payment under this subdivision.

SECTION 9. 79.04 (8) of the statutes is created to read:

79.04 **(8)** Beginning with the payments made in 2020, the mill rates under subs. (1) (a) and (2) (a) and the dollar amounts under subs. (4), (6) (b), and (7) (a), (b), and (c) 1. and 1m. are increased annually by a percentage equal to the average annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor, for the 12 months ending on September 30 of the year before the statement under s. 79.015, except that the percentage under this subsection shall not be less than zero.

****NOTE: The indexing formula created in this subsection is the same as the inflation factor under s. 79.05 (1) (am) that is used to determine expenditure restraint payments under s. 79.05.

****NOTE: This draft does not affect the limitations that are based on multiplying a county or municipality's population by a dollar amount because I'm not sure how many, if any, counties and municipalities are affected by those limitations.

(END)

STATE REPRESENTATIVE
SAMANTHA KERKMAN

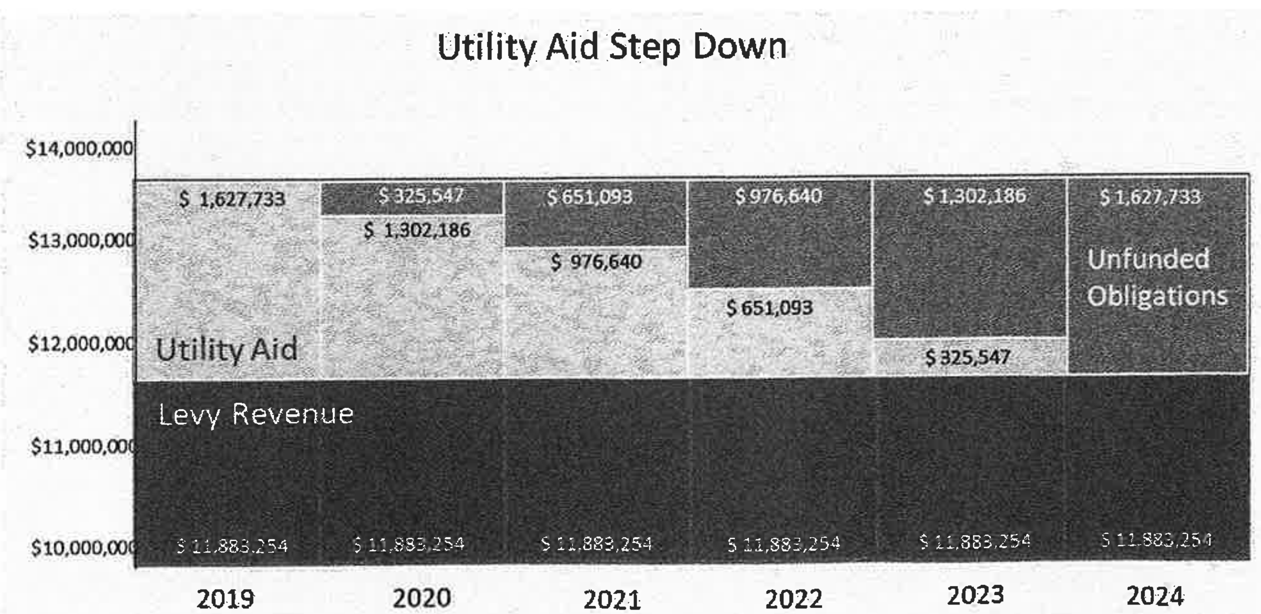
UTILITY AID STEP-DOWN

CONCERN:

- Since 1971, Political Subdivisions who have hosted property tax exempt electric generation facilities received Utility Aid Payments under Wis. Stat. s.79.04 to account for the costs of services provided and to offset the fact that those properties were exempt from the property tax rolls.
- Since 2005 political subdivisions were limited in their ability to raise their levy except by the percentage change in the equalized value due to new construction in accordance with Wis. Stat. s.66.0602.
- As our electric utilities are phasing out certain coal or nuclear generation facilities due to age or in favor of other forms of electrical generation, the utility aid payments are stepped down, but because of the levy limit law (s.66.0602) it leaves the political subdivisions who hosted the decommissioned power generation facilities with a budget shortfall that can only be addressed through referendum under current law.

SOLUTION:

- After discussions with the Legislative Fiscal Bureau, the simplest solution was to create a mechanism by which the political subdivision would be allowed to increase the levy only by the amount of the lost utility aid payment amount. By implementing this change, the political subdivision budget is allowed to stay stable while the services that the political subdivision provides would continue to be funded. LRB-2731 creates this mechanism.
- LRB-2731 also changes the law so that the loss of utility aid is reduced over a 10 year period instead of the 5 year period in current law. We hope this will allow political subdivisions to account for the loss of utility aid through budget cuts or increases in equalized value due to new construction.



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Phone (608) 266-2530 • Toll Free (888) 529-0061 • Fax (608) 282-3661 • E-mail Rep.Kerkman@legis.wi.gov

Joint Committee on Finance

2019-2021 Budget Motion Request

Date: 4/29/2019

Requesting Legislator/phone number: Robert Brooks

Staff Contact/phone number: Christopher Schaefer

Legislator's JFC Designee:

Statement of Motion Intent:
The proposal seeks to address the absence of inflationary increases in formula components that have contributed to declining or stagnant utility aid payments. Specifically, utility aid formula factors would be indexed from 2005 to 2018 based on the change in the consumer price index (CPI) for all urban consumers, U.S. city average, as determined by the U.S. Department of Labor, Bureau of Labor Statistics.

Agency/Agencies Impacted: Department of Revenue

Summary:

Utility tax collections, which are intended to be returned to counties and municipalities as utility aid, are instead largely being used as general purpose revenue (GPR).

- Shared revenue utility aid payments help counties and municipalities pay for services provided to tax-exempt utility property. These payments-in-lieu-of-taxes are also viewed as partial compensation for the air pollution, noise, traffic congestion, property maintenance, emergency services and land use limitations caused by the presence of utility property.

- In recent years, the state has retained around two-thirds of utility tax collections for use as GPR, rather than return those dollars to counties and municipalities where utility property is located.

Utility aid payments have not kept pace with inflation, causing rising local government costs to be unfairly shifted to the owners of taxable property.

- Utility aid has been stagnant, both as a percentage of tax collections and in the actual dollars distributed to counties and municipalities. Since 2013, the annual percentage increase in utility aid has largely been declining, with counties and municipalities receiving less than a one percent increase in both 2016 and 2017.

- Importantly, utility aid is intended to cushion and spread the burden of the loss of revenue due to utility property being exempt from local taxation. Stagnant or declining aid results in a burdensome shift in taxes to owners of the remaining taxable property.

- The provision of utility aid also helps counties and municipalities offset the costs of providing a variety of services that are required by state law, including emergency management services.

Fiscal Impact:

The proposed 13-Year inflationary indexing would generate an estimated $22.5 million more annually in utility aid payments to counties and municipalities where qualifying utility property is located.

Funding Source *(if applicable)*:

State Utility Tax Collections (Can we get updated numbers from Rick Olin?)

In 2017, the subtotal basis of utility collections from private and municipal light, heat and power, electric cooperatives and municipal electric companies was $247.532 million Of that amount, some 30%, or $73 million was returned to counties and municipalities as utility aid. The remaining 70% of the subtotal, or $174 million, was retained as GPR.

Support/Opposition:

Wisconsin Counties Association
League of Municipalities
Wisconsin Towns Association
Wisconsin Counties Utility Tax Association
Wisconsin Utility Tax Association

13-Year Indexing of Utility Aid

CONCERNS:

Utility tax collections, which are intended to be returned to counties and municipalities as utility aid, are instead largely being used as general purpose revenue (GPR).

- Shared revenue utility aid payments help counties and municipalities pay for services provided to tax-exempt utility property. These payments-in-lieu-of-taxes are also viewed as partial compensation for the air pollution, noise, traffic congestion, property maintenance, emergency services and land use limitations caused by the presence of utility property.

- In recent years, the state has retained around two-thirds of utility tax collections for use as GPR, rather than return those dollars to counties and municipalities where utility property is located. In 2017, for example, the Wisconsin Department of Revenue (DOR) distributed $73 million in utility aid, which comprised just 30 percent of the $247.532 subtotal basis of utility collections from private and municipal light, heat and power, electric cooperatives and municipal electric companies, as shown in Figure 1. The remaining 70% of the subtotal, or $174 million, was retained as GPR.

Utility aid payments have not kept pace with inflation, causing rising local government costs to be unfairly shifted to the owners of taxable property.

- In recent years, utility aid has been stagnant, both as a percentage of tax collections and in the actual dollars distributed to counties and municipalities, as shown in Figure 1. Moreover, the annual percentage increase in utility aid has largely been declining since 2013, with counties and municipalities receiving less than a one percent increase in both 2016 and 2017, as shown in Figure 1.

- Importantly, utility aid is intended to cushion and spread the burden of the loss of revenue due to utility property being exempt from local taxation. Stagnant or declining aid results in a burdensome shift in taxes to owners of the remaining taxable property.

- The provision of utility aid also helps counties and municipalities offset the costs of providing a variety of services that are required by state law, including emergency management services.

Figure 1. Comparison of State Utility Tax Collections and Utility Aid Payments

	Subtotal Basis for Utility Aid	Utility Aid	Utility Aid % of Collections	County Portion of Utility Aid	County Utility Aid Increase	Municipal Portion of Utility Aid	Municipal Utility Aid Increase
2013	252,960,630	69,195,296	27.35%	33,725,712	2.22%	35,469,584	1.95%
2014	264,480,495	70,487,431	26.65%	34,327,793	1.79%	36,159,638	1.95%
2015	246,232,415	72,652,107	29.51%	35,008,259	1.98%	37,643,848	4.10%
2016	249,497,745	72,960,249	29.24%	35,172,625	0.47%	37,787,624	0.38%
2017	247,532,000	73,568,813	29.72%	35,484,326	0.89%	38,084,487	0.79%

SOLUTION: 13-YEAR INDEXING OF UTILITY AID

County and municipal organizations, including the **Wisconsin Counties Association, League of Municipalities, Wisconsin Towns Association, Wisconsin Counties Utility Tax Association, and Wisconsin Utility Tax Association** support the adoption of a budget amendment to return a greater portion of state utility tax collections to counties and municipalities where qualifying properties are located. Through ongoing discussions with key stakeholders, we determined that the absence of inflationary increases in formula components has contributed to declining or stagnant utility aid payments.

Under the proposal, utility aid formula factors would be indexed from 2005 to 2018 based on the change in the consumer price index (CPI) for all urban consumers, U.S. city average, as determined by the U.S. Department of Labor, Bureau of Labor Statistics. According to the Legislative Fiscal Bureau, the proposed 13-Year inflationary indexing would generate an estimated $22.5 million more annually in utility aid payments.

Local governments that operate under revenue caps, while unfunded mandates put added pressure on their strapped resources, view this modest proposal as fair compensation.

POLICY ANALYSIS

Utility aid is calculated based upon the characteristics of the utility property located in the municipality or county. Counties and municipalities may receive aid under a single component or under various combinations of seven formula components.

Under the 13-year indexing proposal, adjustments to the ***ad valorem*** and ***mega-watt-based payment*** components account for $19.6 million of the proposed $22.5 million increase in utility aid.

About one-half of utility aid payments, or $30.4 million, are generated via the ***ad valorem*** component. Aid is calculated by multiplying the net book value of the qualifying utility property (primarily electric substations and general structures) by 9 mills. **The rate of 9 mills has not been increased since 1975.** The proposed 13-year inflationary indexing results in a rate of 11.7 mills, which would increase ad valorem utility aid payments by an estimated $9.1 million.

The other key component, the $2,000 ***per megawatt (MW)*** **of name-plate generating capacity payment**, applies to electric generation facilities that began operation or were rebuilt or repowered after December 31, 2003. Aid is calculated by multiplying the MW capacity of production plants times $2,000. The **$2000 rate has not been increased since it was first established in 2003**. The proposal would increase the formula rate to $2,595, increasing utility aid payments by a projected $10.5 million. Under current law, the MW basic aid formula is generating $35.4 million annually in utility aid payments.

The 13-year Inflationary indexing of four other formula components – Baseload Aid, Location-based Aid, Alternative Energy/Cogeneration, and Nuclear Storage – would generate the remaining projected increase of $2.9 million.