

CORRECTED AGENDA

WISCONSIN COUNTIES UTILITY TAX ASSOCIATION BOARD OF DIRECTORS MEETING

VIA ZOOM: number will be shared before the meeting

I. Call to Order/Introductions - President William Goehring

- Roll Call/ Welcome/ Introductions
- Two Open position on Executive Committee:
- Secretary Lee Englebrecht, Manitowoc County Supervisor
- Member-at-Large, Bob Yeomans, Rock County Supervisor
- Appoint Audit committee for CY2020
- Executive Director retainer
- Discuss County board Resolution or County Board Executive
- Committee action by March 2021 (Ashland County attachment)

II. Approve Minutes from September 8, 2020 meeting (attachment)

III. Treasurer's Report- Supervisor Robert Keeney (attachments)

- Updated 2021 dues chart.
- Discuss change fiscal year to calendar year

V. EXECUTIVE Directors Report -Alice O'Connor

- Impact of Elections
- Legislative strategy moving forward
 - Meeting with Governor's office re budget bill insertion
 - Support by WCA and League of Wisconsin Municipalities
 - Strategy -Separate legislation with request to insert in his budget
 - Discuss possible lead republican lawmakers
- Update: follow-up Dept of Revenue (attachments)
- Updated Legislative Fiscal Bureau utility tax numbers (attachments)

VI. WCA UPDATE: Kyle Christiansen

VII: Speakers: to be announced

VIII. Any Other Business

IX. Next Meeting Date

X. Adjourn

Please RSVP. Questions call Alice 608-225-9391 or aoc@constituencyservices.org

**WISCONSIN
COUNTIES UTILITIES
TAX ASSOCIATION
2020
25 W Main St. Fl 5
Suite 44
Madison WI 53703**

President

WILLIAM GOEHRING
(920) 994-4749
Sheboygan County

Vice President

WALT CHRISTENSEN
(920)723-1320
Jefferson County

Secretary- Open

Treasurer

Robert Keeney
Grant County
(608) 723-2711

Executive Director

ALICE O'CONNOR
Direct (608) 225-9391

Member Counties

ASHLAND
BUFFALO
CHIPPEWA
COLUMBIA
CRAWFORD
DOUGLAS
DUNN
FOREST
GRANT
GREEN
JACKSON
JEFFERSON
JUNEAU
KENOSHA
KEWAUNEE
LA CROSSE
MANITOWOC
MARATHON
MARINETTE
MARQUETTE
OCONTO
OZAUKEE
PEPIN
ROCK
SAUK
SHEBOYGAN
TREMPEALEAU
VERNON
WASHBURN
WASHINGTON
WAUSHARA
WOOD

Minutes of the Board of Directors – Sept 18, 2020 VIA ZOOM

The meeting was called to order at 10:30 AM by Board Chair Supervisor Bill Goehring. Roll call was taken and new member from Marathon County Supervisor Tom Rosenberg was welcomed. Chairman Goehring asked people to look at the updated contact list that was emailed earlier and get any changes or corrections back to the WCUTA staff.

He also said the Secretary position is currently vacant on the WCUTA Board and he is interested in filling it. It will be an agenda item next board meeting. Anyone with an interest should reach out to him. The Secretary position functions as a part of the executive Committee.

PRESENT: William Goehring- Sheboygan County, Robert Keeney - Grant County Board Chair, Walt Christensen - Jefferson County Supervisor, Lance Leonhard – Marathon County Administrator, Thomas Rosenberg , Marathon County Supervisor, Roger Call Vernon County Supervisor , Clark Schroeder - Ashland County Administrator, Kevin Hamann, Oconto County Administrator, LaCrosse County Supervisor Monica Kruse, Roberts Sivick- Waushara County Administrator, Kyle Christiansen – WCA Tax and Finance Lobbyist,

STAFF: Alice O'Connor - WCUTA, Kelly McDowell - WCUTA

GUESTS: Mark Radium- Outagamie County Lobbyist; Jim Boullion, RENEW Government Relations Director, Michael Vickerman RENEW Policy Director, and Heather Allen, RENEW Executive Director, Scott Coenen, executive Director, Wisconsin Conservative Energy Forum

Excused: Supervisor, Bob Yeomans - Rock County Supervisor, Justin Running, Vernon County, Ray Ransom, Jackson County Board Supervisor

The minutes from June 5, 2020 meeting were approved on a motion from Supervisor Walt Christiansen, seconded by Supervisor Tom Rosenberg.

Treasurer's Report- Supervisor Robert Keeney

The report for the period of April 1 to September 11, 2020 was as follows: The balance in the WCUTA Check book as of April 1, 2020 was \$33,386.33. Interest applied to the checkbook during this same time period through Sept 11,2020 totaled \$2.40 plus \$2.19 plus \$2.68 plus \$1.28 plus \$.46 for a total of \$9.01. The CD (###279) had a beginning balance April 1, 2020 of \$40,929.09 with two interest payments, one for \$51.02 and the second one for \$51.65. They were applied August 30, 2020 for total interest of \$102.67. The CD balance as of September 11, 2020 was \$41,032.76.

Expenses between April 1,2020 and August 11, 2020 were for CSI invoices of \$3,654.00 plus \$2,200.00 plus \$7,035.00 plus \$7,700.00 for a total of \$18,589.00. This leaves a balance in the checkbook and the CD with a total of \$64,766.02 through September 11,2020.

The Treasurer's report was approved on a motion by Supervisor Tom Rosenberg, seconded by Supervisor Christiansen.

All dues for 2020 has been paid. Two counties who had previously been members and who did not pay will not be pursued.

Dues levels for 2021 were discussed. Even though we don't yet know what the estimated payments for 2021 will be, a consensus to keep dues at .0020% of an individual counties estimated payment was made on a motion was offered by Administrator Robert Sivick, seconded by Supervisor Christiansen.

Supervisor Keeney also indicated that he would like to change WCUTA's fiscal year which currently runs from March 31,2020 to April 1 of the next year to be a true calendar year. This will help with the annual audit and reflect a calendar year and a 12 month period. There are no WCUTA records that explain why the current fiscal year was used. On a motion from Administrator Sivick seconded by Supervisor Rosenberg, the next audit and going forward will run from January 1 to December 31 of the same year . therefore there will be a shortened audit period this year. The next audit Committee will be appointed at the December meeting for a January 2021 Audit Committee report.

AUDIT COMMITTEE REPORT - Supervisor Robert Keeney

Supervisor Keeney said the Audit committee consisted of Supervisors Bob Yeomans, Walt Christiansen and him and met via Zoom. Board Chair Bill Goehring participated in the zoom call. Hard copies of all bank statements and invoices were mailed to all Audit committee members. On April 1, 2019, the business money market checking account initial balance was \$38,921.28. Dues generated between April 1,2019 to March 31,2020 was \$39,728.22 with \$21.71 add to the checking account. During this same time, WCUTA paid \$45,285.18 in expenses leaving a balance of \$33,386.03 in the account on March 31,2020. Outstanding liabilities for January February and arch 2020 totaled \$9,354.00 An overpayment to CSI of \$1000 was repaid by CSI on September 2, 2020.

As of September 1, 2020, the only one outstanding invoice remains in the amount of \$3500 leaving the checkbook with a balance of \$24,398.00.

The WCUTA CD matured August 31,2020 with a \$40,474.99 plus quarterly interest applied August 30, 2019 so the CD started with a new balance of \$40,826.68 and new interest applied. On March 31, 2020 thee new CD balance was \$40,929.09. When the CD matured on August 30,2020 with rollover interest the CD value was \$41,031.76. The Association assets of a combined money market business account and CD on March 31,2020 was \$74,315. 12.

EXECUTIVE Directors Report -Alice O'Connor

Alice referenced the two memos that summarized the Dept. of Revenue meeting July 15, 2020 where members of the Executive Committee met with DOR Secretary Barca, his deputy Secretary Maria Guerra Lapacek and Director of John Dickert. Alice O'Connor and Kelly McDowell were also present. The memos articulate what the DOR has promised to follow-up up on and what we promised as follow-up for WCUTA. A desired meeting in August never happened and as of this meeting we are still waiting for the critical details promised by DOR. Governor Evers has asked his agencies for 5 percent budget reduction plus more, yet each agency introduced their preliminary agency budget and collectively they are asking for over \$722 million in new spending. The state's rainy day fund is at about \$356 million. Because of Covid, our efforts for a Legislative Council Study committee were derailed. Our expectation in March of this year is that throughout summer months this committee would have met and brought forth some specific recommendations to help justify the need to look at a fifty plus year old utility aid calculation that seems out of whack. Where we are today is that even though lawmakers are saying it will be a tight budget, many groups already have their asks for additional funding going into the Governor office. Alice and Kelly believe we should try to get an additional revenue upper put into the

Governor's budget bill while a longer game plan is sorted out. Short of that, at least we will be early this time in the legislative process, giving us more time to influence the budget bill process. Covid was enough to deal with this year before Black Lives Matter and outright riots and thefts occurred to many downtown businesses. In Madison, the state capital was vandalized many times and remains closed at this time. To the best of our knowledge there is no certain date when or if the state capitol will reopen this year. The inability and unwillingness of the Governor and GOP legislature to work together has eput all remaining policy items for 2020 in a state of paralysis. The Senate needs to come back in and address at least a portion of the 173 bills they are sitting on. We know the GOP legislature has no plans to return to the state capitol this yar. After the November election, and starting next year, we will have a better idea what protocol will occur. Doing everything by zoom remains challenging. As colleges reopen with students back to campus and public schools k-12, , COVID numbers have increased, so Wisconsin does not appear to be bending the curve toward reduction in COVID.

The Dept of Revenue forecast estimated payments will be out shortly . With those members, dues will be calculated . We do not know today if counties will receive. WCUA will continue to need to work for a short term and long term strategic solution.

WCA UPDATE: Kyle Christiansen, Tax and Finance lobbyist.

Kyle indicated that he felt the Senate would return more conservative next session and he thought any desire we have to obtain an increase of utility tax funds, will be challenging. He expects the Senate to remain Republican. The same is true for the state Assembly. He said the WCA has already identified d its budget priorities. They are supportive of our ask but we are not in their top list of priorities.

He said our biggest challenge will be to get 17 votes for something in the Senate. We need a simple ask and he agreed that the WCA and WCUA should send a joint letter to Governor Evers and DOR Secretary Petr Barca asking for an annual inflationary adjustment which is basically our budget motion from last year. Or minimally, ask for a less costly cost of living increase that is under about \$2 million. On a motion by Supervisor Rosenberg, second by Supervisor Walt Christiansen, staff was directed to work with WCA to draft a joint letter that asks for inflationary or cost of living increases for utility tax distribution back to counites. Alice and Kelly will follow-up with Kyle.

Speakers:

Renew Wisconsin Jim Boullion, Director of Government Affairs, RENEW Government Relations Director, Heather Allen, Executive Director, Mike Vickerman, RENEW Policy Director . Their organization is exploring large scale solar projects and trying to determine what dollars will benefit landowners. Incentives and bonuses they feel continue to be needed to push toward renewables. Senator Cowles formula changes in 2004 has been a significant driver for more solar farms in Wisconsin. They said solar is very attractive in Wisconsin because solar and wind farms provide a higher amount of revenue per MW capacity, relative to fossil fuel facilities under the current utility aid formula. Therefore, the shift to renewables should support efforts to grow County budgets as renewables become a larger part of Wisconsin's energy picture. Finally, they said solar and wind farms will be more dispersed around Wisconsin (compared to coal or gas plants), because they do not need to be co-located with water bodies.

With the growing number of utility scale renewable energy projects coming in the future, RENEW understands that the financial benefits they can generate to local communities is very important to successful projects and good relations with those communities.

RENEW Wisconsin is interested in working with the County Utility Aids Association to ensure that local governments get a fair share of the revenues generated by utility scale energy facilities. While RENEW would have concerns with any increase in actual taxes paid by those facilities, how the taxes are allocated between the State, County and local governments is a topic that should be reexamined.

Wisconsin Conservative Energy Forum, Scott Coenen, Executive Director said his organization was created in 2017 to present a free market point of view to renewable energy. He said conservatives had been admittedly skeptical of the economics of renewable energy, but they have changed their beliefs. In the last five years alone, he said solar scale projects are now cost competitive and they do not need to be mandated or need subsidies. He said his group does not talk about this as an environmental or climate change issue. But rather the need for energy to flow to rural communities with space to expand and give consumers choice. "Grid diversity" he says will enhance national security. He said another sub group of his group is the Land and Liberty Coalition who is trying to educate people about this new decentralized technology. Both groups referenced the MSIO grid and said in the cue there are about 6000 solar projects in the pipeline for Wisconsin.

Mr. Coenen said their organization would be supportive of a greater percentage of utility taxes returned to local communities as long as utilities were not taxed at a higher rate in the process. He said their group will do anything that creates more incentives for businesses to move to solar. He said the key is that we need to do a better job of educating individuals. Battery storage he said is another issue. And he said they are asking how the state is assisting communities to move away from coal fired power plants to renewables. He said they work with many developers who are waiting to do a project. He said it will matter what the aid formula is and how it is disbursed. He said he and this his organization would welcome the opportunity to come to speak to individual county boards or committees to educate them on what is going on with renewable energy, various projects and incentives needed to drive this. He said we all know agricultural land is taxed at a low level and energy generated is taxed at a higher rate. We need to have a fair tax base to drive new policy. We need money in rural areas.

Speaker: John Dickert Dept of Revenue

He said the Dept of Revenue was not all that disappointed that our Legislative Council request to examine the utility tax formula did not come to fruition this year. He said the Dept of Revenue would then have been an advisor to the study and they feel now they can work directly with us to continue a dialogue for a long term policy path. He did not address the action items from the July 15 meeting but again referenced two lawsuits from utilities who were suing DOR and slowing them down. When asked which utilities he declined to specify. He indicated a willingness to keep trying to agree on a path going forward but offered no real specifics. He said DOR should study agricultural use values. He also said the state needs to build in infrastructure costs specifically for local governments as the energy mix changes. He said should we ask Secretary Barca for more money, "it will be a tough sell." He stressed we need to determine the baseline of utility values, where we are now and where we need to go. Several board members reminded him we are waiting on information *that only DOR* has access to so that we can determine "where we are." This has been a 7 year effort to date. He did say he would work on answers to the issues raised at the July 15 meeting and would follow up to get a meeting scheduled in October.

The next WCUTA board meeting Date was set for December 4, 2020 at 10:30 a.m.

The meeting adjourned at 12:40 p.m. on a motion by Supervisor Tom Rosenberg, seconded by Supervisor Christensen . Motion carried.

BACKGROUND FACTS

THE WISCONSIN DEPT. OF REVENUE COLLECTS UTILITY TAXES INSTEAD OF UTILITIES PAYING LOCAL PROPERTY TAXES.

WHO PAYS WHAT AND HOW MUCH DOES THE DEPT. OF REVENUE RETURN TO LOCAL GOVERNMENTS

TAXATION OF UTILITIES

Based on Wisconsin Legislative Fiscal Bureau Informational Paper 9, 2017 and LFB Utility Tax Collection data 2020 (September 2020 revised estimates)

Public Utilities are subject to State taxation in lieu of local general property taxes

The State Collects taxes based on

- a) An Ad valorem tax based on assessed value of Company property
 - 1) Air Carrier companies (2019-20 tax collections \$0) **Utility PLT Payments 0**
 - 2) Conservation and Regulation Companies (\$268,319) **Utility PLT Payments 0**
 - 3) Municipal Electric Companies (\$4,444,548)
 - 4) Pipelines (\$44,513,183) **Utility PLT Payments 0**
 - 5) Railroad Companies (Deposited in the Transportation fund, \$ not reported) **PLT 0**
 - 6) Telephone Companies (\$66,173,269) **Utility PLT Payments 0**
- b) A tax or license fee based on gross revenues generated in Wisconsin
 - 1) Car Line Companies (furnishing or leasing car line equip to a RR) (\$205,187) **PLT 0**
 - 2) Electric Cooperative Associations (\$12,751,922)
 - 3) Municipal Light, Heat, and Power Companies (\$2,728,904)
 - 4) Private Light, Heat and Power Companies (\$225,411,443) **Total of 2,3,4 PLT \$77,832,012**

For all Ad valorem Utilities, a tax assessment is calculated by determining the full market value of the utilities taxable property and multiplying that value by a tax rate.

Light, Heat and Power Companies carry the responsibility for All Payments in lieu of local general property taxes.

In 1986 the basis of taxation for the light, heat, and power companies changed from Ad valorem to gross revenues.

BACKGROUND STATE DISTRIBUTION OF UTILITY AIDS

The Legislative Fiscal Bureau Informational Paper #18 further explains the Shared Revenue Program as it relates to the County and Municipal Aid and Utility Aid.

“Utility aid is the only remaining component of the state’s pre-2004 shared revenue program which existed from 1976 through 2003. Although some elements of the formula used to allocate utility aid during that period remain in use, a new distribution formula was created in 2003 that allocates most of the aid today.”

“Utility aid compensates local governments 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 public utility companies: investor and municipally owned light, heat, and power companies; qualified wholesale electric companies, transmission companies, electric cooperatives; and municipal electric associations.”

“utility property includes electric substations, general structures, office buildings and power production plants. Aid on substations and general structures is computed by applying a mill rate (static at 9 mills, split between local gov’s) to the net book value of the qualifying utility property. (net book value declines with annual depreciation charges.) The value of utility property at a specific site is limited to \$125 million. (This Limits the PILT value.)

In 2003 a new distribution formula for production plants was created that allocates most of the aid today. Local gov’s split a payment equal to \$2000 multiplied by the plant’s production capacity, measured in megawatts. Alternative energy resources generate an additional \$2000 per megawatt so total state payment for alternative energy production is \$4000/megawatt. (payments have remained static for 17 years)

Combined payments under all the preceding distribution formulas cannot exceed a maximum of \$425 per capita for municipalities or \$125 per capita for counties. (last adjusted in 2009) This Cap is estimated to reduce the total of Utility aid payments to local gov’s by \$965,388 in 2020.

REQUEST OF GOVERNOR EVERS TO INSERT LANGUAGE INTO HIS BUDGET BILL

- Based on facts, local governments can prove there have been significant changes in the distribution and use of utility taxes collected and exempt from local property taxes since 2003 that have benefited the state, to the detriment of a greater tax burden placed on local taxpayers.
- Significant inequities continue to exist in the aid distribution formula that prevent the equitable replacement of the lost local property taxes to local governments.
- There have been significant changes in how electricity is generated and distributed since 2003 using a formula derived in the early 1970s. Add to the mix, big changes with pipeline distribution of oils and gas; and significant changes in the use and delivery of telecommunication services.
- The formula for the distribution of utility aids requires review of the existing formula and methodology. Until such time that this happens, implementation of a cost of living adjustments to the utility Tax Aids payments is justified.
- **REQUEST** Inclusion of language in Governor Evers budget bill that would provide a 13 year, one time inflationary index, from 2005 through 2018 (catch up money for expenses shifted to local property taxpayers during this time). The Fiscal Bureau says this would require an additional \$22.5 million to add to the stagnant base allocation that is typically about \$75 million annually for all counties, cities and towns from an overall annual average state utility tax collection of \$360 million. The updated Fiscal Bureau figures through 2019 show a CPI one time catch up between 2005 and 2019 would cost \$23,214,993. Going forward, an ongoing inflationary increase would cost under \$2 million per year until further policy changes were made to the state's methodology to collect and distribute utility taxes.

Thank you in advance for any consideration.

11.5.2020

LEGISLATIVE FISCAL BUREAU OCTOBER 2020 FIGURES IF UTILITY AID HAD BEEN GIVEN A COST OF LIVING INCREASE WHILE ACTUAL DISTRIBUTIONS WERE STAGNANT.

Public utility aid is comprised of several components based on separate distribution formulas. Municipalities and counties may receive aid under a single component or under various combinations of the components, depending on the characteristics of the utility property located in the municipality or county. For each qualifying property, aid is paid both to the municipality and county where the property is located, and the combined municipal and county aid is calculated as follows:

- 9 mills times the net book value of the qualifying utility property (primarily electric substations and general structures);
- \$2,000 times the megawatt (MW) capacity of production plants (basic aid);
- \$1,200 times the MW capacity of baseload production plants placed in service after 2003;
- \$1,200 times the MW capacity of production plants placed in service after 2003 and located on the site of a pre-existing production plant or brownfield or adjacent to a pre existing production plant or brownfield;
- \$2,000 times the MW capacity of production plants powered by alternative energy sources or production plants that are cogeneration facilities; and
- \$50,000 for each municipality and for each county where spent nuclear fuel is stored.

Prior to 2005, the 9-mill and spent nuclear fuel formulas were the sole distributional formulas for public utility aid. The other formulas were added, effective with payments beginning in 2005, to provide additional incentives for local governments to accept the siting of new production facilities, defined as facilities placed in service after 2003. In 2009, the "basic" capacity aid calculation was extended to production plants in existence prior to 2004, provided a larger payment resulted under the capacity calculation than under the 9-mill calculation. The distribution formula for production plants using alternative energy sources was also extended to plants placed in service prior to 2004.

The attached table reports the difference in total aid that would result from indexing the formula factors 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. The table includes both the effect of a single year, from 2018 to 2019 when the CPI increased 2.3%, and the 14-year effect, from 2005 to 2019, when the CPI increased 30.6%.

ATTACHMENT

Effect of Indexing the Factors in the Public Utility Aid Distribution Formula -- Current Law and Estimated 2019 Aid Amounts

	Current Law <u>2019</u>	1-Year Indexing <u>2018 to 2019</u>	14-Year Indexing <u>2005 to 2019</u>
Net Book Value Aid			
Mill Rate	9.0	9.2	11.8
Aid	\$32,521,131	\$31,092,274	\$39,753,076
Change in Aid		-1,428,857	7,231,945
Basic Aid			
\$ per MW	\$2,000	\$2,046	\$2,612
Aid	34,218,493	36,172,045	46,198,344
Change in Aid		1,953,551	11,979,851
Baseload Aid			
\$ per MW	\$1,200	\$1,227	\$1,567
Aid	2,258,400	2,310,007	2,947,797
Change in Aid		51,607	689,397
Location-Based Aid			
\$ per MW	\$1,200	\$1,227	\$1,567
Aid	4,307,880	4,500,218	5,924,694
Change in Aid		192,338	1,616,814
Alternative Energy/Cogeneration			
\$ per MW	\$2,000	\$2,046	\$2,612
Aid	2,987,400	2,809,977	3,585,808
Change in Aid		-177,423	598,408
Nuclear Storage			
\$ per Muni./Co.	\$50,000	\$51,143	\$65,288
Aid	350,000	357,998	457,017
Change in Aid		7,998	107,017
Total Aid			
Aid	\$75,651,743	\$77,242,519	\$98,866,736
Change in Aid		1,590,776	23,214,993



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

October 20, 2020

TO: Representative Samantha Kerkman
Room 315 North, State Capitol

FROM: Noga Ardon and Rory Tikalsky

SUBJECT: Historical Utility Tax Collections and Utility Aid Payments

At your request, the attachments provide a 10-year history of utility tax collections and utility aid payments. Attachment 1 shows general fund utility tax collections by utility type for fiscal years 2011 through 2020. Attachment 2 shows utility aid distributions by category and recipient type for tax years 2011 through 2020.

Utilities are exempt from local property taxes, and instead pay utility taxes to the state based on their revenue (gross revenue group) or property value (ad valorem group). In lieu of property tax revenue, utility aid payments are intended to compensate local governments for costs incurred in providing services to public utility properties. Utility aid is paid from a sum-sufficient shared revenue appropriation, funded largely from the state's general fund.

When utility tax collections are deposited in the general fund, they lose their identity, similar to other deposits in the general fund. Therefore, there is no direct relationship between utility tax collections and utility aid payments.

We hope this information is helpful. Please contact us if you have further questions.

NA/RT/lb
Attachments

ATTACHMENT 1

General Fund Utility Tax Collections, State Fiscal Years 2010-11 to 2019-20

Utility Tax Collections	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<i>Gross Revenue</i>										
Private Light, Heat & Power	\$227,317,956	\$231,579,943	\$226,078,921	\$232,346,764	\$243,788,828	\$226,050,354	\$229,622,060	\$235,390,222	\$231,473,659	\$225,411,443
Electric Cooperatives	11,554,215	11,164,359	11,275,756	12,089,088	12,231,394	11,747,206	12,045,639	12,464,443	13,353,310	12,751,922
Municipal Light, Heat & Power	3,190,053	3,028,528	3,168,833	3,354,663	3,298,395	3,488,001	2,895,443	3,065,119	2,695,090	2,728,904
Carline	169,256	179,379	182,945	192,812	201,331	159,649	139,082	215,521	269,226	205,187
<i>Ad Valorem</i>										
Telephone	67,021,928	80,976,003	67,340,379	72,198,849	81,943,205	76,473,827	70,782,883	63,590,942	67,196,991	66,173,269
Pipeline	27,108,062	33,673,847	28,396,076	35,463,868	34,994,107	37,315,661	39,726,880	45,530,841	44,884,404	44,513,183
Municipal Electric	4,862,817	5,170,611	4,992,202	5,170,115	5,161,878	4,946,854	4,934,603	4,802,240	4,713,552	4,444,548
Conservation & Regulation	<u>118,961</u>	<u>132,779</u>	<u>129,121</u>	<u>148,513</u>	<u>184,769</u>	<u>214,998</u>	<u>209,447</u>	<u>218,389</u>	<u>331,432</u>	<u>268,319</u>
Total	\$341,343,247	\$365,905,447	\$341,564,233	\$360,964,673	\$381,803,908	\$360,396,549	\$360,356,037	\$365,277,716	\$364,917,663	\$356,496,775
Annual Change		7.2%	-6.7%	5.7%	5.8%	-5.6%	0.0%	1.4%	-0.1%	-2.3%

ATTACHMENT 2

Utility Aid Payments, 2011-2020

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020*</u>
Utility Aid										
9 Mill Formula & Nuclear Storage	\$23,171,910	\$25,362,861	\$25,890,676	\$25,474,838	\$29,238,319	\$26,412,621	\$26,163,022	\$30,747,648	\$32,680,831	\$35,130,267
Capacity Aid	32,766,333	34,271,933	35,171,933	35,189,933	35,026,533	35,597,133	35,465,833	35,363,933	34,123,133	34,146,853
Incentive Aid	7,349,400	9,175,800	9,175,800	9,352,200	9,424,080	9,413,880	9,375,880	9,405,280	9,553,680	9,520,280
Per Capita Limit, Old vs. New Law	<u>-1,045,003</u>	<u>-1,025,200</u>	<u>-1,043,113</u>	<u>736,656</u>	<u>-931,413</u>	<u>1,534,615</u>	<u>1,335,061</u>	<u>-466,080</u>	<u>-705,901</u>	<u>-965,388</u>
Total	\$62,242,640	\$67,785,394	\$69,195,296	\$70,753,627	\$72,757,519	\$72,958,249	\$72,339,796	\$75,050,781	\$75,651,743	\$77,832,012
Annual Change	4.9%	8.9%	2.1%	2.3%	2.8%	0.3%	-0.8%	3.7%	0.8%	2.9%
County Portion	\$30,928,139	\$32,993,165	\$33,725,712	\$34,426,993	\$35,048,312	\$35,171,959	\$34,893,426	\$36,191,975	\$36,829,192	\$37,739,630
Annual Change	5.6%	6.7%	2.2%	2.1%	1.8%	0.4%	-0.8%	3.7%	1.8%	2.5%
Municipal Portion	\$32,250,062	\$34,792,229	\$35,469,584	\$36,326,634	\$37,709,208	\$37,786,291	\$37,446,370	\$38,858,806	\$38,822,551	\$40,092,382
Annual Change	7.4%	7.9%	1.9%	2.4%	3.8%	0.2%	-0.9%	3.8%	-0.1%	3.3%

* September, 2020, Revised Estimates.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

October 22, 2020

TO: Representative Samantha Kerkman
Room 315 North, State Capitol

FROM: Noga Ardon, Fiscal Analyst

SUBJECT: Indexing Formula Factors in Public Utility Aid Distribution Formula

At your request, this memorandum provides estimates of indexing the various factors in the public utility aid formula to reflect inflation.

Public utility aid is comprised of several components based on separate distribution formulas. Municipalities and counties may receive aid under a single component or under various combinations of the components, depending on the characteristics of the utility property located in the municipality or county. For each qualifying property, aid is paid both to the municipality and county where the property is located, and the combined municipal and county aid is calculated as follows:

- 9 mills times the net book value of the qualifying utility property (primarily electric substations and general structures);
- \$2,000 times the megawatt (MW) capacity of production plants (basic aid);
- \$1,200 times the MW capacity of baseload production plants placed in service after 2003;
- \$1,200 times the MW capacity of production plants placed in service after 2003 and located on the site of a pre-existing production plant or brownfield or adjacent to a pre-existing production plant or brownfield;
- \$2,000 times the MW capacity of production plants powered by alternative energy sources or production plants that are cogeneration facilities; and
- \$50,000 for each municipality and for each county where spent nuclear fuel is stored.

Prior to 2005, the 9-mill and spent nuclear fuel formulas were the sole distributional formulas for public utility aid. The other formulas were added, effective with payments beginning in 2005, to provide additional incentives for local governments to accept the siting of new production facilities, defined as facilities placed in service after 2003. In 2009, the "basic" capacity aid calculation was extended to production plants in existence prior to 2004, provided a larger payment resulted under the capacity calculation than under the 9-mill calculation. The distribution formula for production plants using alternative energy sources was also extended to plants placed in service prior to 2004.

The attached table reports the difference in total aid that would result from indexing the formula factors 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. The table includes both the effect of a single year, from 2018 to 2019 when the CPI increased 2.3%, and the 14-year effect, from 2005 to 2019, when the CPI increased 30.6%.

I hope this information is helpful. Please contact me with any questions.

NA/bh
Attachment

ATTACHMENT

Effect of Indexing the Factors in the Public Utility Aid Distribution Formula -- Current Law and Estimated 2019 Aid Amounts

	Current Law <u>2019</u>	1-Year Indexing <u>2018 to 2019</u>	14-Year Indexing <u>2005 to 2019</u>
Net Book Value Aid			
Mill Rate	9.0	9.2	11.8
Aid	\$32,521,131	\$31,092,274	\$39,753,076
Change in Aid		-1,428,857	7,231,945
Basic Aid			
\$ per MW	\$2,000	\$2,046	\$2,612
Aid	34,218,493	36,172,045	46,198,344
Change in Aid		1,953,551	11,979,851
Baseload Aid			
\$ per MW	\$1,200	\$1,227	\$1,567
Aid	2,258,400	2,310,007	2,947,797
Change in Aid		51,607	689,397
Location-Based Aid			
\$ per MW	\$1,200	\$1,227	\$1,567
Aid	4,307,880	4,500,218	5,924,694
Change in Aid		192,338	1,616,814
Alternative Energy/Cogeneration			
\$ per MW	\$2,000	\$2,046	\$2,612
Aid	2,987,400	2,809,977	3,585,808
Change in Aid		-177,423	598,408
Nuclear Storage			
\$ per Muni./Co.	\$50,000	\$51,143	\$65,288
Aid	350,000	357,998	457,017
Change in Aid		7,998	107,017
Total Aid			
Aid	\$75,651,743	\$77,242,519	\$98,866,736
Change in Aid		1,590,776	23,214,993



WISCONSIN COUNTIES UTILITY TAX ASSOCIATION

25 West Main St. Floor 5 Suite 44 Madison, WI 53703

September 30, 2020

The Honorable Tony Evers
Governor of Wisconsin
115 East, State Capitol
Madison, WI 53703

Dear Governor Evers,

We write to you on behalf our respective organizations to ask that you **include a provision in your 2021-23 budget plan to provide for a fairer, more equitable return of utility tax collections to counties and municipalities as utility aid.**

Given the significant demands on local governments, it is timely to address the absence of **inflationary increases in utility aid formula components** that have contributed to stagnant utility aid payments. Specifically, a **thirteen-year inflationary index** (2005-2018) would generate \$22.5 million more in utility aid payments (catch-up money from this revenue not being indexed for inflation). **Indexing formula components from 2018 onward**, would ensure that payments reflect the increased value of utility property. A memo from the Legislative Fiscal Bureau detailing this proposal is attached for your information.

By way of background, 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.

We are concerned that the state has typically retained about eighty percent of utility tax collections for use as General Purpose Revenue (GPR), rather than return those dollars to counties and municipalities where the utilities are located. In 2019-20, the state collected \$351.4 million in utility taxes, but only returned \$75.6 million to local governments as utility aid.

Moreover, payments generated through the current utility aid formula aid formula have largely been stagnant, both as a percentage of tax collections and in the actual dollars distributed to counties and municipalities. Stagnant or declining aid results in a burdensome shift in taxes to owners of the remaining taxable property.

Please know that we are eager to answer any questions you may have or provide additional information. Please contact either Kyle Christiansen at christianson@wicounties.org or (608-663-7120) or Alice O'Connor at aoc@constituencyservices.org or (608-225-9391). We would welcome the opportunity to further discuss this with you.

Thank you for your consideration.

Sincerely,

William Goehring, WCUTA Board Chair , Sheboygan County Supervisor

Walt Christiansen, WCUTA Vice Chair, Jefferson County Supervisor

Robert Keeney, WCUTA Treasurer, Grant County Board Chairman

Kyle Christianson WCA Director of Government Affairs

M. Alice O'Connor, WCUTA Executive Director