EXECUTIVE DIRECTWISCONSIN COUNTIES UTILITY TAX ASSOCIATION BOARD MEETING (revised 1.31.2020)

Friday, February 5, 2021

AGENDA

10:30 AM TO 12:30 PM (Lunch provided)

Note: New office address:

Constituency Services is now housed inside the Wisconsin Professional Police Association (WPPA) 600 John Nolen Drive Suite 300A Madison, WI 53713 (Note: exit Beltline John Nolen Drive, turn into Sheraton Hotel on Rimrock Road and John Nolen Drive. Turn left. Go half block. Office building on the right Side that houses WEA Insurance, WI Builders Association, WI Professional Police Assn. Plenty of surface parking. Come up to 3rd floor.

RSVP: clarify if you are joining by zoom or plan to attend in person (* up to six

Join Zoom Meeting: You must register for the zoom meeting
https://us02web.zoom.us/j/84241483482?pwd=Y0Jqb0ljc3dlL3hqQ29QUUJVSEsxUT09

Meeting ID: 842 4148 3482
Passcode: 909090
One tap mobile
+13017158592,,84241483482#,,,,*909090# US (Washington DC)
+13126266799,,84241483482#,,,,*909090# US (Chicago)

Dial by your location
+1 301 715 8592 US (Washington DC)
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+1 646 558 8656 US (New York)
+1 253 215 8782 US (Tacoma)
+1 346 248 7799 US (Houston)
+1 669 900 9128 US (San Jose)
Meeting ID: 842 4148 3482
Passcode: 909090
Find your local number: https://us02web.zoom.us/u/kcQKXPuxG

I. Call to Order/Introductions - President William Goehring

- Roll Call/ Welcome/ Introductions
- Resolutions / letters to governor and lawmakers
- Current members with lawmaker contacts (attachment)
- Status of Dept of Revenue follow up since July 2020 (attachment)

II. Approve Minutes from December 4, 2020 meeting (attachment)

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

- Treasurer' s report
- Updated 2021 dues chart (attachment)
- Update bylaws (attached) to approve a fiscal year that Runs from January 1 to December 21 of a calendar year.

2021 WISCONSIN COUNTIES UTILITIES TAX ASSOCIATION
PO Box 5126
Madison WI 53705

President
WILLIAM GOEHRING
(920) 994-4749
Sheboygan County

Vice President
WALT CHRISTENSEN
(920)723-1320
Jefferson County

Secretary-
LEE ENGLEBRECHT
920-755-4042
Manitowoc County

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

IV. AUDIT COMMITTEE REPORT (Keeney, Christensen, Sivick)

V. CONFIRMED SPEAKER VIA ZOOM: 11:00 Jolene Plautz, Wisconsin Utility Tax Association WUTA (towns and villages) to discuss updated Utility Tax Association efforts to secure more utility tax dollars for local governments as a coalition partner.

VI: CONFIRMED SPEAKER: Shawn Pfaff, Pfaff Public Affairs, represents variety of Agriculture business groups including WI Agri Business Association , Dairy Business Association, and member of WI Ag Coalition comprised of more than 20 WI agricultural groups

VII. Executive Director REPORT - Alice O'Connor

- 2021 legislative profile leadership and key Finance Committee (attachment)
- Status: COLA increase request of Governor Evers
- Independent Legislation for COLA increase - lead authors- our strategy
- Efforts by WCA and League of Wisconsin Municipalities
- Dashboard transparency legislation to be reintroduced (Rep. Sam Kerkman and Senator Rob Cowles)(SB90/AB173 last session attached)
- Fiscal Bureau latest financial picture (attachment)
- January 2021 Legislative Fiscal Bureau briefing paper on utility taxes (Attachment)

VII UPDATE: Kyle Christiansen

VIII. Any Other Business

IX. Next Meeting Date

X. Adjourn

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

Final Minutes of the Board of Directors – Dec 4, 2020 VIA ZOOM

The meeting was called to order at 10:30 AM by Board Chair Supervisor Bill Goehring. Roll call was taken.
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 , Don Kriefall, Washington County Board Chair, Vern Gove, Columbia County Board Chair, Kevin Hamann, Oconto County Administrator, Supervisor, Bob Yeomans - Rock County Supervisor, Justin Running, Vernon County, Charlene Kervina, Chippewa County Supervisor, Kevin Hamann, Buffalo County Supervisor Oconto County Administrator, LaCrosse County Supervisor Monica Kruse, Roberts Sivick- Waushara County administrator, Stan Brudzinski, Marinette County Supervisor, Vern Koch, Sheboygan County Board Supervisor, David Danziger, Buffalo County Supervisor, Jason DeWine, Ozaukee County Administrative Coordinator.
STAFF: Alice O'Connor - WCUTA

GUESTS: Mark Radium- Outagamie County Lobbyist; Kyle Christiansen – WCA Tax and Finance Lobbyist.

Excused: Clark Schroeder - Ashland County Administrator, Ray Ransom Jackson County Board

Chairman Goehring said there are two open positions on the WCUTA Executive Committee. After last board meeting he asked for volunteers to step up. To fill the at large spot on the board, Supervisor Robert Yeomans agreed to do so. Manitowoc County Supervisor Lee Engelbrecht agreed to serve as Secretary. On a motion by Supervisor Keeney, seconded by Supervisor Rosenberg the two officers were approved.

Supervisor Keeney pointed out we will need to update our bylaws to reflect the change to a calendar year fiscal year. This will be put on the next meeting agenda.

Supervisor Goehring asked for volunteers for the Audit committee. With changes voted on at the last board meeting to convert WCUTA to a calendar year, another Audit Committee will be reviewing the books January 1, 2020 to December 31, 2020. It will also require a change to the Association by-laws to reflect this change. The following board members will serve on the Audit Committee: Chair- Supervisor Robert Keeney, Supervisor Walt Christen sen and Administrator Robert Sivick. They will meet prior to the next board meeting scheduled for February 5, 2021.

The by-laws also require an annual review of the Executive Director's retainer. On a motion by Administrator Sivick, second by Supervisor Rosenberg a $100 month increase in retainer was approved going from $2200 per month to $2300. It will take effect immediately and be included in the next invoice for services. Motion approved.

The resolution passed by Ashland County was shared, with discussion around each county passing a similar resolution prior to the introduction of Governor Evers budget bill in February 2021. After discussion, it was decided a push for each county to send letters should happen within the next 45 days, by January 31, 2021. Everyone should also copy their state representatives and state senators and be sure Alice and Kyle Christianson, WCA tax and finance lobbyist, get a copy. Alice will work up some talk points. The goal is to get the letters to Governor Evers by January 31, 2021.

The minutes from the September 18, 2020 meeting were approved on a motion from Supervisor Walt Christensen, seconded by Supervisor Tom Rosenberg.

Treasurer's Report- Supervisor Robert Keeney

The report for the period of Sept 11, 2020 to 11/27/2020 was as follows:

The balance in the WCUTA Check book as of November 27, 2020 was $23,734.26 with a withdrawal of $2,223.20 leaving a balance of $21,511,44 as of September 30, 2020. In October, four dues checks from Kewaunee, Oconto, Marinette and Washington Counties resulted in $3,267,58 in revenue plus 17 cents interest , minus an October expense to CSI for $3,849.09. This left an October check book balance of $20,929.93.

November revenue was six more dues checks from Juneau, Jefferson, Wood, Douglas, LaCrosse, and Columbia Counties plus interest for a total amount of $8,0976.35 minus a November expense of $2,255.00. This left a balance of $26,772.28 . The certificate of deposit amount has not changed since the last Treasurer report and has a balance as of November 27,2020 in the amount of $41,031.76. The total WCUTA funds combined with the CD and check book as of 11.27.2020 is $67,804. 04

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

Supervisor Keeney will chair the Audit committee to help with the change to a fiscal calendar year. 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. AUDIT COMMITTEE - Supervisor Robert Keeney, Robert Sivick and Supervisor Walt Christensen volunteered to serve**.**

Executive Director's 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 state and local taxes, 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. An August meeting suggested by DOR never happened and DOR has yet to fulfill their promises for items they agreed to follow-up.

Governor Evers has asked his agencies for 5 percent budget reduction plus additional cuts. Yet each agency introduced their preliminary agency budget and collectively they are asking for $722 million in new spending. The state's rainy-day fund is at about $356 million.

Because of COVID-19, our efforts for a Legislative Council Study committee were derailed. Our expectation in March of 2020 was 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. The 2021 budget bill faces an uncertain path but, many groups are asking for additional funding going into the Governor office. We will ask for a cost of living increase from 2005 to 2019. 2005 is the last time there was any change in compensation to the utility tax formula. This catches up will cost about $22 million. Going forward it would under $2 million each year. A longer game plan will likely be another request for a Legislative Council Study Committee in summer of 2022.

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 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 WCUTA 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 an inflationary or cost of living increase (COLA) for utility tax distributions back to counties. Alice will follow-up with Kyle.

The next WCUTA board meeting Date was set for February 4, 2020 at 10:30 a.m. likely via zoom.
The meeting adjourned at 12:50 p.m. on a motion by Supervisor Tom Rosenberg, seconded by Supervisor Christensen. Motion carried.

WISCONSIN STATE SENATE

	SENATOR	PHONE	ROOM	STAFF
(D-16)	AGARD, Melissa	6-9170	126 South	Aaron Collins, Sidney Litke, Megan Wittman
(R-14)	BALLWEG, Joan	6-0751	409 South	Bethany Rasmussen, Amanda Graham, Benjamin Karbowski, David Specht-Boardman
(R-23)	BERNIER, Kathy	6-7511	319 South	Nathan Duerkop, Denise Richter, Zachary Stollfus, Michael Luckey
(D-25)	BEWLEY, Janet	6-3510	206 South	Joseph Hoey, Samantha Linden, Steven Worley, Collin Mead, Ryan VanLanduyt, Kyle Sandow, Ryan Lashua
(R-28)	BRADLEY, Julian	6-5400	323 South	Lucas Fuller, Mattias Gugel, Steven Schwerbel, Kyle Schroeder
(D-3)	CARPENTER, Tim	6-8535	109 South	Russell DeLong, Ritch Williams, Will Swassing
(R-2)	COWLES, Robert	6-0484	118 South	Jason Mugnaini, Heather Moore, Evan Miller
(R-8)	DARLING, Alberta	6-5830	122 South	Jerry Ponio, Robert Delaporte, Rachel Keith, Abby Trawicki
(D-27)	ERPENBACH, Jon B.	6-6670	130 South	Tryg Knutson, Kelly Becker, Geoff Gaston, Terry Tuschen, Kate Constalie
(R-12)	FELZKOWSKI, Mary	6-2509	415 South	Elisabeth Portz, Collin Driscoll, Stamena Ivanov, Christopher Seitz
(R-18)	FEYEN, Daniel	6-5300	306 South	Tim Lakin, Marie Jolly, Matthias Censky, Kennedy Borman, Angela Joyce
(13th DISTRICT)	VACANT	6-5660	131 South	Tad Ottman, Adam Foltz
(R-1)	JACQUE, André	6-3512	7 South	Nik Rettinger, Bill Cosh, Hannah Sievert, Nicolas Cravillion
(D-6)	JOHNSON, LaTonya	6-2500	106 South	Lacy Fox, Christian Ullsvik, Shannon McCoy, Kadijha Marquardt-Davis
(R-33)	KAPENGA, Chris	6-9174	220 South	Jennifer Esser, Jeff Sherman, Jason Booth, Samuel Krebs, Roy Johnson
(R-5)	KOOYENGA, Dale	6-2512	310 South	Sandy Lonergan, Rachel Vander Wiele, Chris Rochester, Nick Bentz
(D-7)	LARSON, Chris	6-7505	20 South	Justin Sargent, Nick Janis, Justin Bielinski
(R-9)	LEMAHIEU, Devin	6-2056	211 South	Jennifer Malcore, Ashley Czaja, Brian Radday, Erin Karow, Adam Gibbs, Nathan Schwanz
(R-17)	MARKLEIN, Howard	6-0703	317 East	Katy Prange, Vincent Williams, Peter Hienz, Eileen O'Neill, Ryan Ring, Andrea Brooks
(R-11)	NASS, Stephen L.	6-2635	10 South	Mike Mikalsen, Adam Field, Michael Murphy
(R-29)	PETROWSKI, Jerry	6-2502	123 South	Tim Fiocchi, Derek Punches, Lindsey Brabender, Jeff Schoenfeldt
(D-32)	PFAFF, Brad	6-5490	22 South	Sarah Barry, Mitchell Greenberg, Jacob Andrejat, Sarah Semrad
(D-15)	RINGHAND, Janis	6-2253	108 South	Patrick Walsh, Jim Smith, Jon Mielke, Jessica Lundquist
(R-19)	ROTH, Roger	6-0718	313 South	Matt Henkel, Jason Vick, Michael Donatello
(D-26)	ROYS, Kelda	6-1627	3 South	George Gillis, Taylor Palkowski, Cecely Castillo
(D-31)	SMITH, Jeff	6-8546	19 South	Beau Stafford, Tony Palese, Alyssa Neuser, Meghan Sovey
(R-10)	STAFSHOLT, Rob	6-7745	15 South	Andrew Gustafson, Shelby Schmudlach, Sharlene Konkel, Dustin Truax
(R-20)	STROEBEL, Duey	6-7513	18 South	John Soper, Brian Sikma, Mark Radcliffe, Tyler Livesey
(D-4)	TAYLOR, Lena C.	6-5810	5 South	Michelle Bryant, Elizabeth Coggs
(R-24)	TESTIN, Patrick	6-3123	8 South	Jim Emerson, Jeff Schultz, Heather Smith
(R-21)	WANGGAARD, Van H.	6-1832	316 South	Scott Kelly, Michelle Osdene, Eric Barbour, Chad Taylor
(R-30)	WIMBERGER, Eric	6-5670	104 South	Bill Kloiber, Ryan Huebsch, Matthew Rossetto, Samantha Dannhauser
(D-22)	WIRCH, Robert	7-8979	127 South	Paula McGuire, Steven Gillitzer, Matthew Archambo

Senate Chief Clerk's Office	6-2517	B20 SE	**Mike Queensland, Chief Clerk**
Legislative Human Resources	316-9700		**Amanda Jorgenson, Director** 33 E. Main, Suite 229
Business Manager	6-2517	B20 SE	**Meggan Foesch**
Records & Journals	6-1803	B20 SE	**Erin Gillitzer**
Senate Org, Citation &, Flags	6-2517	B20 SE	**Jeff Beighley**
Administrative Assistant	6-2517	B20 SE	**Maggie Krueger**
Senate Printing/Graphics	7-4356	B20 SE	**Cindy Marecek, Gina Ward, and Edie Devine**
Web Page Design/GIS	7-4356	B20 SE	**Mike Marquardt**
Senate Supplies	7-4347	B20 SE	
Sergeant at Arms Office	6-1801	B35 S	**Ted Blazel, Sergeant at Arms**
Scholars & Civics Education	1-0533	B10 SE	**Tammy Wehrle**
Photographer	1-9476	B7 W	**Greg Anderson**
Photographer	7-0897	B23 W	**Joe Koshollek**
Senate Mail	6-1006	B35 S	**Charles Johnson**
Hearing Room Schedules	6-2506	B32 S	**Alex Franke**
LTSB Technical Support	7-9528	17 W. Main, RJC - 2nd Floor, Suite 200	

Tour Information	6-0382	Capitol Rotunda
Capitol Police (Emergency)	6-7700	B2 North
Capitol Police (Non-emergency)	6-8797	B2 North
Legislative Council	6-1304	1 E. Main, 4th FL
Legislative Fiscal Bureau	6-3847	1 E. Main 3rd FL
Legislative Audit Bureau	6-2818	22 E. Mifflin, Ste 200
LRB (Bill Drafting)	504-5801	1 E. Main, 2nd FL
LRB (Research and Analysis)	504-5802	1 E. Main, 2nd FL
Capitol Facilities	6-1485	17 W. Main, Rm 119 Risser Justice Center

(RJC) = **Risser Justice Center**
(EM) = **E. Main**
(C) = **Capitol**
(E) = **1 E.**

Legislative Website: www.legis.wi.gov

DIRECT ALL SENATE CORRESPONDENCE TO: P. O. BOX 7882, MADISON, WI 53707-7882 ***Effective: 01/05/21***

2021-22 ASSEMBLY OFFICE AND TELEPHONE DIRECTORY

1/25/2021

REPRESENTATIVE	ROOM	PHONE	REPRESENTATIVE	ROOM	PHONE
ALLEN, Scott (R-97)	105-West	6-8580	MURSAU, Jeffrey (R-36)	113-West	6-3780
ANDERSON, Jimmy (D-47)	9-North	6-8570	MYERS, LaKeshia (D-12)	3-North	6-5813
ANDRACA, Deb (D-23)	21-North	6-0486	NEUBAUER, Greta (D-66)	111-North	6-0634
ARMSTRONG, David (R-75)	409-North	6-2519	NEYLON, Adam (R-98)	204-North	6-5120
AUGUST, Tyler (R-32)	119-West	6-1190	NOVAK, Todd (R-51)	310-North	6-7502
BALDEH, Samba (D-48)	11-North	6-0960	OHNSTAD, Tod (D-65)	128-North	6-0455
BILLINGS, Jill (D-95)	307-West	6-5780	OLDENBURG, Loren (R-96)	10-West	6-3534
BORN, Mark (R-39)	308-East	6-2540	ORTIZ-VELEZ, Sylvia (D-8)	11-North	7-7669
BOWEN, David (D-10)	126-North	6-7671	PETERSEN, Kevin (R-40)	309-North	6-3794
BRANDTJEN, Janel (R-22)	12-West	7-2367	PETRYK, Warren (R-93)	103-West	6-0660
BROOKS, Robert (R-60)	216-North	7-2369	PLUMER, Jon (R-42)	317-North	6-3404
BROSTOFF, Jonathan (D-19)	15-North	6-0650	POPE, Sondy (D-80)	118-North	6-3520
CABRAL-GUEVARA, Rachael (R-55)	420-North	6-5719	PRONSCHINSKE, Treig (R-92)	127-West	6-7015
CABRERA, Marisabel (D-9)	18-North	6-1707	RAMTHUN, Timothy (R-59)	304-North	6-9175
CALLAHAN, Calvin (R-35)	15-West	6-7694	RIEMER, Daniel (D-7)	107-North	6-1733
CONLEY, Sue (D-44)	320-West	6-7503	RODRIGUEZ, Jessie (R-21)	321-East	6-0610
CONSIDINE, Dave (D-81)	303-West	6-7746	RODRIGUEZ, Sara (D-13)	4-West	7-9836
DALLMAN, Alex (R-41)	412-North	6-8077	ROZAR, Donna (R-69)	418-North	7-0280
DITTRICH, Barbara (R-38)	17-West	6-8551	SANFELIPPO, Joe (R-15)	314-North	6-0620
DOYLE, Steve (D-94)	124-North	6-0631	SCHRAA, Michael (R-53)	107-West	7-7990
DRAKE, Dora (D-11)	19-North	6-3756	SHANKLAND, Katrina (D-71)	304-West	7-9649
DUCHOW, Cindi (R-99)	221-North	6-3007	SHELTON, Kristina (D-90)	20-North	6-0616
EDMING, James (R-87)	109-West	6-7506	SINICKI, Christine (D-20)	114-North	6-8588
EMERSON, Jodi (D-91)	322-West	6-7461	SKOWRONSKI, Ken (R-82)	209-North	6-8590
GOYKE, Evan (D-18)	112-North	6-0645	SNODGRASS, Lee (D-57)	21-North	6-3070
GUNDRUM, Rick (R-58)	312-North	4-8486	SNYDER, Pat (R-85)	307-North	6-0654
HAYWOOD, Kalan (D-16)	5-North	6-3786	SORTWELL, Shae (R-2)	8-West	6-9870
HEBL, Gary (D-46)	120-North	6-7678	SPIROS, John (R-86)	212-North	6-1182
HESSELBEIN, Dianne (D-79)	119-North	6-5340	SPREITZER, Mark (D-45)	113-North	6-1192
HINTZ, Gordon (D-54)	201-West	6-2254	STEFFEN, David (R-4)	323-North	6-5840
HONG, Francesca (D-76)	122-North	6-5342	STEINEKE, Jim (R-5)	115-West	6-2401
HORLACHER, Cody (R-33)	214-North	6-5715	STUBBS, Shelia (D-77)	17-North	6-3784
JAGLER, John (R-37)	316-North	6-9650	SUBECK, Lisa (D-78)	109-North	6-7521
JAMES, Jesse (R-68)	9-West	6-9172	SUMMERFIELD, Rob (R-67)	125-West	6-1194
KATSMA, Terry (R-26)	306-East	6-0656	SWEARINGEN, Rob (R-34)	123-West	6-7141
KERKMAN, Samantha (R-61)	315-North	6-2530	TAUCHEN, Gary (R-6)	13-West	6-3097
KITCHENS, Joel (R-1)	220-North	6-5350	THIESFELDT, Jeremy (R-52)	223-North	6-3156
KNODL, Dan (R-24)	218-North	6-3796	TITTL, Paul (R-25)	219-North	6-0315
KRUG, Scott (R-72)	207-North	6-0215	TRANEL, Travis (R-49)	302-North	6-1170
KUGLITSCH, Mike (R-84)	129-West	7-5158	TUSLER, Ron (R-3)	22-West	6-5831
KURTZ, Tony (R-50)	320-East	6-8531	VANDER MEER, Nancy (R-70)	11-West	6-8366
LOUDENBECK, Amy (R-31)	304-East	6-9967	VINING, Robyn (D-14)	306-West	6-9180
MACCO, John (R-88)	208-North	6-0485	VORPAGEL, Tyler (R-27)	210-North	6-8530
MAGNAFICI, Gae (R-28)	7-West	7-2365	VOS, Robin (R-63)	217-West	6-3387
MCGUIRE, Tip (D-64)	321-West	6-5504	VRUWINK, Don (D-43)	6-North	6-3790
MEYERS, Beth (D-74)	7-North	6-7690	WICHGERS, Chuck (R-83)	306-North	6-3363
MILROY, Nick (D-73)	104-North	6-0640	WITTKE, Robert (R-62)	18-West	6-0731
MOORE OMOKUNDE, Supreme (D-17)	8-North	6-5580	ZIMMERMAN, Shannon (R-30)	324-East	6-1526
MOSES, Clint (R-29)	16-West	6-7683	89th Assembly Dist. (Vacant)	308-North	6-2343
MURPHY, Dave (R-56)	318-North	6-7500			

Assembly Chief Clerk's Office	401-RJC	6-1501	Hearing Room Schedules	411-West	7-9808
Ofc Mngr/Maintenance (Carol)	401-RJC	6-1501	Parking	411-West	6-2004
Records/Clrg Hse Rule/Comm Rpts(Kay)	401-RJC	6-5550	Leg. Audit Bureau	22 E. Mifflin	6-2818
Journals/Citations/Sess. Prayer (Julie)	401-RJC	6-2406	Leg. Council	401-E. Main	6-1304
Bill Intro/Bulletins/Calendar (Jeryn)	401-RJC	6-2545	Leg. Fiscal Bureau	301-E. Main	6-3847
Per Diem/Travel Expenses(Doris)	401-RJC	4-8588	Legislative Hotline	411-West	6-9960
Assy Ofc Accts/Printing (Janine)	401-RJC	6-3826	(Toll-Free Number)	800-362-9472	
Assy Chief Clerk Fax Number	401-RJC	6-5617	Leg. Mail Room	B10-West	6-5837
Legislative Human Resources	33-E. Main Ste. 229	4-8471	LRB-Reference Section	200-E. Main	6-0341
Sergeant-At-Arms Office/Page Staff	411-West	6-1503	LRB-Bill Drafting	200-E. Main	6-3561
Anne Tonnon Byers, Sgt-At-Arms	411-West	6-2004	LTSB Tech Support	200-RJC	7-9528
Pat McKee, Ass't Sgt-At-Arms	411-West	7-9808	CAPITOL POLICE (Emergency)	B2-North	6-7700
General Office Supplies	411-West	6-1503	CAPITOL POLICE (Non-Emergency)	B2-North	6-8797
Graphic Designer-Jessica Lehr	121-West	4-8395	Photographer-Greg Anderson	B7-West	1-9476
Graphic Designer-Scott Templeton	323-West	4-8603	Photographer-Joe Koshollek	B23-West	7-0897

Assy Mailing Address: PO Box 8952 (Reps A-L) or PO Box 8953 (Reps M-Z), Madison, WI 53708
E-Mail Address: Rep.(insert last name)@legis.wisconsin.gov - WI State Legis. Website: http://legis.wisconsin.gov
HEARING ROOMS: North HR (2nd Fl)-504-5180; 413 North (GAR)-504-5191; 225NW-504-5181; 300NE-504-5183; 328NW-504-5184; 400NE-504-5185; 412E-504-5193; 415NW-504-5187 - RJC=Risser Justice Center 17 W. Main, Madison, 53703
NOTE: All phone numbers are in 608 area code and preceded by numbers 26.

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

May 2019
PLEASE SUPPORT INFLATIONARY INDEXING OF UTILITY AID

To: Honorable Members of the Joint Committee on Finance

From: **Wisconsin Counties Association | Wisconsin League of Municipalities | Wisconsin Towns Association | Wisconsin Counties Utility Tax Association | Wisconsin Utility Tax Association**

Re: Please Support Motion to Establish Inflationary Indexing of Utility Aid

We support the inflationary indexing of utility aid because it will:

- **Return utility tax collections to counties and municipalities as intended** to pay for services provided to tax-exempt utility property and 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.
- **Address the unfair shifting of costs to owners of taxable property due** to declining or stagnant utility aid payments.

Together our organizations represent the hundreds of counties and municipalities throughout the state of Wisconsin where qualifying tax-exempt utility properties are located. Our local government members provide an array of vitally important services such as public safety, health and human services, transportation, sanitation, conservation and economic development, operation of public utilities, and general administration (i.e., judges, clerks, assessors, and planners).

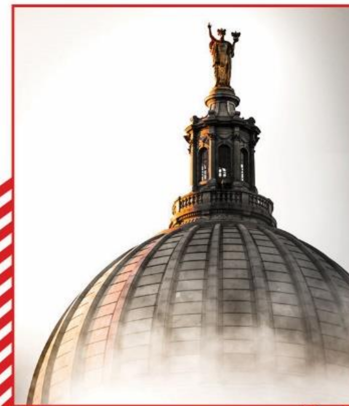
The proposal would increase utility aid payments by indexing utility aid formula factors based on the change in the consumer price index (CPI) from 2005 to 2018, and provide for annual inflationary increases thereafter. The 13-year inflationary indexing would increase utility aid payments by an estimated $22.5 million. In 2017, utility aid payments totaled around $73 million, or about 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.*** The remaining 70% of the subtotal basis of utility collections, or $174 million, was retained by the State as general purpose revenue (GPR).

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. The annual percentage increase has largely been declining since 2013, with counties and municipalities receiving less than a one percent increase in both 2016 and 2017.

Local governments that operate under revenue caps, while unfunded mandates put added pressure on their strapped resources, view this modest proposal as fair compensation. The provision of utility aid helps counties and municipalities **offset the costs of providing a variety of services that are required by state law,** including emergency management services. **Utility aid is also 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.

Again, we support an increased return of utility tax collections to counties and municipalities for payment in lieu of taxes, as intended. **Please support the motion to provide for inflationary indexing of utility aid.**

informational
paper #7



taxation and regulation of public utilities

legislative fiscal bureau
state of wisconsin
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Taxation and Regulation of Public Utilities

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Taxation and Regulation of Public Utilities

This paper provides information on the taxation and regulation of public utility corporations in Wisconsin. Due to their unique operating conditions, public utilities are regulated by the Public Service Commission (PSC) and subject to state taxation on the basis of revenues (gross receipts) or property value (ad valorem).

The market and regulatory structure of public utilities has significant implications for their tax treatment. The diffuse nature of infrastructure supporting utility operations, such as high-voltage transmission lines, petroleum pipelines, hydroelectric dams, railroads, optical fiber cables, and nuclear power plants, means that the location of such infrastructure is not aligned with the location of the buying power that generates its construction. Thus, utility taxation is conducted on a statewide basis in order to provide a more uniform allocation of revenues from taxation of utilities, and avoid inconsistent tax rates for property owners in municipalities with or without significant utility infrastructure. Chapter 1 discusses taxation of public utilities, including the classes of utilities subject to taxation, utility tax rates, and annual revenues to the state.

Several factors combine to make the utility sector unique compared to other markets. The nature of utility service provision results in expensive initial infrastructure investments and rapidly declining costs per customer served. The resulting "natural monopoly" means that the most cost-efficient outcome for service provision is total market control by one provider. However, total market control may lead to anti-competitive behavior and thus increased costs to consumers. In order to balance the public interest of cost-efficient utility service provision with the potentially negative effects of total market power, public utilities are subject to strict regulation by the PSC, which in exchange allows them to operate as monopolies. Chapter 2 discusses regulation of public utilities, including the powers and programs of the Commission.

In addition to ad valorem, gross receipts, sales, and corporate income/franchise taxes, public utilities and their customers are subject to various fees. These fees include a universal service fee, low-income assistance fee, and police and fire protection fee. Fees are deposited into their respective segregated (SEG) funds and used to support a variety of state programs. Chapter 3 discusses these utility fees and the programs they support.

To offset forgone revenues from local tax-exempt utility property, municipalities are provided utility aid payments by the state that are generally intended to offset the costs municipalities incur in providing local government services to those properties. Revenues from utility taxation are not specifically segregated for utility aid payments, and the allocation of utility aid is not associated with the amount of utility tax revenue collected. For further discussion of utility aid, see the Legislative Fiscal Bureau's informational paper entitled "Shared Revenue Program."

CHAPTER 1

UTILITY TAXES

Historical Development

Public utilities in Wisconsin are subject to state taxation in lieu of local general property taxation. The state tax takes one of two general forms, depending on the type of company: (a) an "ad valorem" tax based on the assessed value of company property within the state; or (b) a tax or license fee based on the gross revenues or receipts of the company generated in Wisconsin. The history of these tax provisions is varied for each type of company, but generally reflects the replacement of local with state taxation.

Almost since the state's creation, a recognition has existed that certain public utility property may be difficult to tax locally. An 1854 law exempted railroads from the property tax, and, instead imposed a state tax based on the railroads' earnings. In 1904 and 1905, that tax was phased out and replaced with an ad valorem tax based on the statewide average property tax rate. The state ad valorem tax was extended to street railway companies with connected light, heat, and power operations in 1908 and to all light, heat, and power companies in 1917, provided they operated in more than one municipality. Similarly, the state preempted local taxation of conservation and regulation companies (owners of dams and reservoirs used for hydroelectric power generation), which became subject to the state's ad valorem tax in 1915. Subsequently, the tax was imposed on commercial airlines in 1946 and on gas and oil pipeline companies in 1950.

As evidenced by the state's early taxation of railroad companies, the gross revenues tax has been an alternative to the state's ad valorem tax for most of the state's history. Starting in 1883, gross revenues license fees were imposed on telephone companies at graduated tax rates, and separate toll and exchange rates were extended in 1931. A gross revenues based tax was extended to car line companies (lessors of passenger and freight railroad cars) in 1931 and to rural electric cooperatives in 1939.

Since 1986, the basis of taxation has shifted for a number of utilities, but the two basic forms of taxation continue. The tax basis for light, heat, and power companies was changed from ad valorem to gross revenues in 1986. In the same year, telegraph companies were recognized as providing telecommunications services and were also shifted from ad valorem to gross revenues taxation. In addition, all other companies providing telecommunications services to the public (such as resellers) were subject to the gross revenues tax. The gross revenues tax on telecommunications services was subsequently discontinued, and since 1998, all telephone companies have been taxed on an ad valorem basis.

Both types of tax are administered by the Department of Revenue (DOR). Table 1 summarizes the type of utility tax, the tax base, and the tax rate that currently applies to each type of Wisconsin utility company.

Ad Valorem Group

Utilities subject to ad valorem taxation include: (a) air carrier companies; (b) conservation and regulation companies; (c) municipal electric comp-

Table 1: Summary of Utility Tax by Type of Utility

	Tax Base	Tax Rate
Utilities Subject to Ad Valorem Taxes		
Air Carrier Companies Conservation and Regulation Companies Municipal Electric Companies Pipeline Companies Railroad Companies	All real and personal property, including all franchises, title, and interest of the company used or employed in its operations; value as a unit	Average net property tax rate in state
Telephone Companies	Real property and tangible personal property; value within the local jurisdiction where it is located	Net property tax rate in jurisdiction where property is located
Utilities Subject to Gross Revenues License Fee		
Car Line Companies	Gross receipts from the operation of car line equipment	Average net property tax rate in state
Electric Cooperative Associations	Gross revenues, less certain deductions, from:	
	- the sale of electricity for resale	1.59%
	- all other sources	3.19
Municipal Light, Heat, and Power Companies	Gross revenues from outside the municipality, less certain deductions, from:	
	- the sale of gas services	0.97%
	- the sale of electricity for resale	1.59
	- all other sources	3.19
Private Light, Heat, and Power Companies	Gross revenues, less certain deductions, from:	
	- the sale of gas services	0.97%
	- the sale of electricity for resale	1.59
	- all other sources	3.19

anies; (d) pipeline companies; (e) railroad companies; and (f) telephone companies.

Air Carrier Companies. Air carrier companies are defined as those engaged in the business of transportation in aircraft of persons or property for hire on regularly scheduled flights. There were 23 air carrier companies subject to tax in 2020 including Southwest Airlines, Delta Airlines, FedEx, SkyWest Airlines, Frontier Airlines, American Airlines, United Airlines, Air Wisconsin Airlines, and Endeavor Air. Air carrier utility taxes are categorized as segregated revenue and deposited in the transportation fund. Beginning in 2001, an exemption from ad valorem taxes was extended for any air carrier that operates a hub facility in Wisconsin. Although Frontier Airlines qualified for the exemption from 2010 to 2012, no airline has qualified for the exemption since that time.

Conservation and Regulation Companies. Conservation and Regulation companies are defined as those organized under the laws of the state for the conservation and regulation of the height and flow of water in public reservoirs in the state. This is done by impounding the rivers' headwaters with dams into reservoirs during times of heavy rainfall and then releasing the stored water during subsequent periods to generate hydroelectric power. The two conservation and regulation companies currently in operation in Wisconsin are the Chippewa & Flambeau Improvement Company and the Wisconsin Valley Improvement Company, which regulate flow in the Chippewa River and Wisconsin River watersheds.

Municipal Electric Companies. Any combination of municipalities may contract to create a public corporation for the joint development of electric energy resources or for production and transmission of electric power or energy, wholly or partially, for the benefit of the municipalities. In 2020, three municipal electric companies were subject to ad valorem utility taxes: Badger Power Marketing Authority of Wisconsin, Upper Midwest Municipal Energy Group, and WPPI Energy.

Pipeline Companies. Pipeline companies are defined as those that are engaged in the business of transporting or transmitting gas, gasoline, oils, motor fuels, or other fuels by means of pipelines and that is not a light, heat, and power company. In 2020, 11 pipeline utility companies operated in Wisconsin. The largest carriers, in terms of their property value allocated to Wisconsin, were Enbridge Energy and Southern Lights, which transport oil products; and ANR Pipeline Company, Guardian Pipeline Company, Northern Natural Gas Company, and Great Lakes Gas Transmission Company, which transport natural gas.

Railroad Companies. Railroad companies are defined as those, other than a local unit of government, that own and/or operate a railroad in the state or own or operate any station, depot, track, terminal, or bridge for railroad purposes. In 2020, there were 10 railroad companies in Wisconsin subject to tax. The major carriers were Wisconsin Central Ltd, the Burlington Northern and Santa Fe Railway Company, Union Pacific Railroad, and Soo Line Railroad Company. Railroad utility taxes are categorized as segregated revenue and are deposited in the transportation fund.

Telephone Companies. Telephone companies are those that provide telecommunications services to another, including the resale of services provided by another telephone company. "Telecommunications services" means the transmission of voice, video, facsimile, or data messages. Telegraph messages are included in this definition, but cable television, radio, one-way radio paging, and transmitting messages incidental to hotel occupancy are excluded. A telephone company does not include those who operate a private shared communications system and who are not otherwise a telephone company. As described below, state law provides a different assessment procedure for telephone companies than for other ad valorem taxpayers.

In 2020, there were 174 telephone companies with a Wisconsin public utility tax assessment. Some of these companies operate local exchanges. Others offer interstate service or intrastate service between local access and transport areas. A third group consists of firms that resell long distance services. These resellers purchase and resell bulk services from another telephone company. They own and operate switching facilities, but do not have separate transmission lines. Finally, commercial mobile telephone companies provide wireless (cellular and personal communications) services. While there are 174 taxpayers, 13 companies account for more than two-thirds of the telephone company taxes. The largest telephone taxpayers are Wisconsin Bell, AT&T Wireless, and Verizon Wireless.

Determination of Tax Assessment

For all ad valorem utilities, a tax assessment is calculated by determining the full market value of the utility's taxable property and multiplying that value by a tax rate. State law excludes from taxation the value of certain property that is also exempt from general property taxes: (a) motor vehicles; (b) treatment plant and pollution abatement equipment; and (c) computers, cash registers, and fax machines.

Except for telephone companies, the tax assessment equals the statewide average net property tax rate multiplied by the utility's

Wisconsin value. DOR determines that value by deriving a unit value, which is equivalent to the utility's full market value if sold as a unit, and allocating a portion of that value to Wisconsin according to statutorily established formulas. Since actual sales price data do not generally exist, this process utilizes three distinct indicators of value -- cost, capitalized income, and stock and debt -- which attempt to take account of earning potential and are weighted differently according to the most appropriate indicator for a given type of utility.

Under the cost indicator, the Department may consider four types of costs -- historical, original, reproduction, and replacement. To these costs, allowances are made for loss of value due to depreciation, obsolescence, regulatory required write-offs, and utility plant acquisition adjustments. The capitalized income indicator is based on a company's operating income (before subtracting depreciation), capitalized at a rate based on market rates for equity, debt, and other factors. The premise behind this method is that the company is worth what it can earn. That is, the purchase price of the company can be determined by estimating expected future earnings and a required rate of return for investors. The stock and debt indicator uses the market value of these two items and other current liabilities, which together are assumed to equal the market value of property and assets. As companies diversify or form conglomerates, the stock and debt method of valuation becomes more difficult to employ. Other indicators are also considered, including company and independent appraisals, prior year assessments, shareholder reports, and comparable sales, if available. Based on these indicators, the Department uses its judgment to arrive at an estimate of fair market value.

Telephone companies have been subject to a different assessment process than other ad valorem utilities. First, telephone company values are determined within each local taxing jurisdiction where the company's property is located. Second, the value within each local taxing jurisdiction is multiplied by the net tax rate applied in that jurisdiction in the prior year under the general property tax. This procedure causes the value of intangible property to be excluded from the telephone company's value, which differs from the unit value methods for valuing property, where the value of intangible property is generally included in the utility company's assessed value.

State law requires DOR to value telephone company property using the same methods the Department uses to assess manufacturing property, including a field review of all property once every five years on a rotating basis. Generally, DOR uses a sales-based approach to assess real property and the cost-based approach to assess personal property. For real property, DOR makes annual adjustments to reflect new construction and economic changes to value. The property's value is initially determined on a company-wide basis by multiplying the property's original cost by a conversion factor that reflects price changes and depreciation. The resulting value is allocated to individual local jurisdictions based on the original cost of the personal property in each jurisdiction relative to the original cost of personal property on a company-wide basis.

2019 Act 128 provides an exemption from tax for telephone company personal property used to provide broadband internet in rural or underserved areas. The exemption applies to two types of broadband service property: (a) property located in rural areas and installed prior to January 1, 2020, that provides internet speeds of at least 25 megabits per second download and 3 megabits per second upload ("25/3"); and (b) property located in rural or underserved areas and installed after January 1, 2020, that provides internet speeds of at least 25/3, or the standard for advanced telecommunications set by the Federal Communications Commission, whichever is faster. Rural areas are defined as municipalities with populations less than 14,000 or areas outside a federal metropolitan statistical area. Underserved areas are defined as those lacking access to at least two internet service providers offering speeds of at least 25/3. Under the Act, broadband property under "a" is exempt from tax beginning January 1, 2025, and property under "b" is exempt from tax beginning January 1, 2021.

If telephone company property is used in part for utility operations and in part for nonoperating purposes, the property's predominant use determines how it is assessed. If real or tangible personal property is used more than 50% in the business's operation as a telephone company, then DOR assesses the property and the property is exempt from the general property tax. If real or tangible personal property is used less than 50% in the business's operation as a telephone company, then the property is assessed and taxed locally.

For other companies subject to ad valorem taxation, if a structure is used in part for utility operations and in part for nonoperating purposes, the structure is generally assessed for taxation by the state at the percentage of its full market value that represents its operating purposes. The balance is subject to local assessment and taxation.

Payment of Tax

Ad valorem taxpayers make semiannual payments on May 10 and November 10. Under this payment schedule, the utility company must pay either 50% of its previous year's net utility tax liability or 40% of its estimated current year's liability on May 10. The utilities are notified of their tax liability for the current year on either August 10 for railroads and municipal electric companies, October 1 for pipelines, airlines, and conservation and regulation companies, or November 1 for telecommunications companies. The remainder of the current year's assessment is due on November 10.

Gross Revenues Group

Utilities subject to the license fee on gross revenues include: (a) car line companies; (b) electric cooperatives; and (c) municipal and private light, heat, and power companies.

Car Line Companies. Car line companies are defined as those not operating a railroad that are engaged in the business of furnishing or leasing car line equipment to a railroad. Car line equipment are railroad cars or other railroad equipment used in railroad transportation provided under a rental agreement. In 2020, six car line companies were subject to the state utility tax.

Electric Cooperatives. Electric cooperatives are entities organized under state law as a cooperative association that generate, transmit, or distribute electric energy to their members at wholesale or retail. Cooperatives typically operate in less urban areas where service providers may not operate, in order to reduce the cost associated with accessing such services. The largest electric cooperative association is Dairyland Power Cooperative. It is headquartered in La Crosse and supplies wholesale electricity to 24 rural electric distribution cooperatives, including 18 in Wisconsin, and 17 municipal utilities, including 10 in Wisconsin. In 2020, Dairyland accounted for 46% of total electric cooperative license fees.

Light, Heat, and Power Companies. There are two basic types of light, heat, and power companies. They may be either investor-owned or operated as a municipal utility. Light, heat and power companies are defined as those engaged in the following businesses: (a) generating and furnishing gas for lighting or fuel or both; (b) supplying water for domestic or public use or for power or manufacturing purposes; (c) generating, transforming, transmitting, or furnishing electric current for light, heat, or power; (d) generating and furnishing steam or supplying hot water for heat, power, or manufacturing purposes; or (e) transmitting electric current for light, heat, or power. Only municipal public utilities that meet the definition and also provide service outside the boundaries of the municipality owning the utility are subject to the state tax.

Since the tax on light, heat, and power companies was converted from an ad valorem to a gross revenues tax in 1985, the definition of light, heat, and power company has been expanded several times to reflect industry changes. Beginning in 1996, the definition was modified to include qualified wholesale electric companies, defined as any person that: (a) owns or operates facilities for the generation and sale of electricity to a public utility or to any other entity that sells electricity directly to the public; (b) sells at least 95% of its net production of electricity; and (c) owns, operates, or controls electric generating facilities that have a total power production capacity of at least 50 megawatts. These companies are also called independent power producers. In 2001, the definition of qualified wholesale electric company was extended to wholesale merchant plants that have a total power production capacity of at least 50 megawatts.

In 2020, 102 light, heat, and power companies were subject to the gross revenues tax. Of these 102 companies, 77 were operated by municipalities, representing 1.2% of 2020 tax assessments. The remaining 98.8% of the tax was attributable to 25 private light, heat, and power companies, which included 15 companies providing primarily retail service, nine providing primarily wholesale electricity for resale, and one transmission company. The largest companies, comprising approximately 95% of total tax assessments were Wisconsin Electric Power Company and Wisconsin Gas Company (which collectively do business as We Energies), Wisconsin Power and Light Company (which does business as Alliant Energy), Wisconsin Public Service (WPS), Xcel Energy, Madison Gas and Electric, and NextEra Energy (the owner of the Point Beach nuclear plant, which was previously owned by We Energies).

Determination of Assessment

Gross revenues utilities submit annual reports to DOR on the amount of taxable gross revenues for the preceding year. The gross revenue amount is multiplied by the applicable tax rate to determine the amount of taxes due. For each type of taxpayer, state law specifies a rate and defines the tax base. Because the taxes are characterized as gross revenues or receipts, relatively few types of revenues are excluded from the tax base. Gross revenues are taxed at a rate of 3.19%, except that sale of gas services is taxed at 0.97% and wholesale sale of electricity is taxed at 1.59%.

Car line companies' gross revenues are defined as all receipts by a car line company from the operation of equipment in the state. Earnings from interstate businesses are allocated to Wisconsin based on the ratio of Wisconsin car miles to total car miles. A tax rate equal to the average statewide net property tax rate is applied against the receipts. This is the same rate used for the state's ad valorem tax.

Electric cooperatives' gross revenues are defined as the previous year's total operating revenues, less interdepartmental sales and rents and the retailers' discount from the sales tax. Certain grants, public benefit fees, and low-income assistance fees are excluded from gross revenues. In addition, a deduction is allowed for the cost of power bought for resale if the cooperative buys more than 50% of the power it sells, or if the electric cooperative purchased more than 50% of the power it sold in 1987 from an out-of-state seller. For multistate associations, a share of total cooperative revenues are apportioned to Wisconsin using a three-factor formula based on the proportion of property, payroll, and sales in-state to the respective total of each factor.

Light, heat, and power companies' gross

revenues are based on their taxable gross revenues earned during the previous year. Except for qualified wholesale electric companies and transmission companies, gross revenues are defined as total operating revenues reported to PSC, less interdepartmental sales and rents and the retailers' discount from sales tax. Also, gross revenues include receipts from total environmental control charges paid to companies under financing orders issued by PSC. A private light, heat, and power company may deduct from its gross revenue either: (a) the actual cost of power purchased for resale, if that company purchases more than 50% of its electric power from a nonaffiliated utility that reports to PSC; or (b) 50% of the actual cost of power purchased for resale, if that company purchases more than 90% of its power and has less than $50 million in gross revenues. Certain grants, public benefit fees, and low-income assistance fees are also excluded from the gross revenues of light, heat, and power companies. Municipal light, heat, and power companies are only taxed on that portion of their revenues from outside the boundaries of the municipality operating the utility.

For qualified wholesale electric companies, gross revenues are defined as total business revenues from the same services that are provided by light, heat, and power companies. For transmission companies, operating revenues are subject to the license fee, except for revenues from transmission services to a Wisconsin public utility or electric cooperative.

To determine Wisconsin taxable revenues for multi-state companies, an apportionment factor based on the shares of a company's total payroll, property, and sales that are in Wisconsin is applied to a company's gross revenues. The payroll factor includes management and services fees paid by a light, heat, and power company to an affiliated public utility holding company. As a result of this treatment, the portion of a public utility holding company's property that is used to provide services to a light, heat, and power company affiliated with the holding company is exempt from local property taxation.

Payment of Tax

The Department makes a tax assessment based on taxable revenues earned in the previous calendar year. Installment payments are made toward the tax in the year that the revenue is earned. A final payment is made in the assessment year to reconcile installment payments with final assessments.

For car line companies, at least 50% of the current or 50% of the subsequent year's liability is due on September 10 and the remaining liability is due on April 15.

For electric cooperatives and light, heat, and power companies, semiannual installment payments of either 55% of the previous assessment or 50% of the estimated assessment are due on May 10 and November 10 of the year in which the revenue is earned. These utilities are notified of their actual license fee by the following May 1. On May 10 of the year following the year in which the revenue was earned, either a final adjustment payment is made or a refund is issued to reconcile the two prior installment payments with the actual assessment.

Tax Collections

Ad valorem tax collections from airlines and railroads are classified as segregated revenue and deposited in the state's transportation fund, while the general fund receives remaining utility tax revenues. In 2019-20, general fund utility tax collections totaled $357.2 million and comprised 2.0% of total general fund tax revenues. In 2019-20, Utility tax collections deposited in the transportation fund totaled $49.1 million and comprised 2.3% of total transportation fund revenues.

Table 2 shows general fund utility tax collections over the last seven fiscal years.

Table 2: General Fund Utility Tax Collections (In Millions)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Ad Valorem Tax							
Telephone Companies	$72.20	$81.94	$76.47	$70.78	$63.59	$67.20	$66.17
Pipeline Companies	35.46	34.99	37.32	39.73	45.53	44.88	44.51
Municipal Electric Companies	5.17	5.16	4.95	4.93	4.80	4.71	4.44
Conservation & Regulation Companies	0.15	0.19	0.22	0.21	0.22	0.33	0.27
Total Ad Valorem Tax	$112.98	$122.28	$118.96	$115.65	$114.14	$117.12	$115.39
Gross Revenues Tax							
Private Light, Heat & Power Companies	$232.35	$243.79	$226.05	$229.62	$235.39	$231.47	$225.41
Electric Cooperatives	12.09	12.23	11.75	12.05	12.46	13.35	12.75
Municipal Light, Heat & Power Companies	3.35	3.30	3.49	2.90	3.07	2.70	2.73
Car Line Companies	0.19	0.20	0.16	0.14	0.21	0.27	0.21
Total Gross Revenues Tax	$247.98	$259.52	$241.45	$244.71	$251.13	$247.79	$241.10
Refunds, Penalties, and Miscellaneous	0.01	0.02	0.19	0.11	0.07	0.03	0.66
General Fund Total Collections	$360.97	$381.82	$360.60	$360.47	$365.34	$364.94	$357.15

Table 3: Transportation Fund Utility Tax Collections (In Millions)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Ad Valorem Tax							
Railroad	$31.35	$35.69	$38.50	$45.32	$40.77	$42.96	$42.02
Airline	7.69	7.96	5.10	7.13	6.18	7.38	7.05
Transportation Fund Total Collections	$39.04	$43.65	$43.60	$52.45	$46.95	$50.34	$49.07

Declines in telephone company taxes reflect depreciation and obsolescence of property, although collections have recovered in recent years as telephone companies have increased investment in technologically improved equipment. Increases in pipeline taxes in recent years reflect increased investment in construction and repair of pipelines transporting oil. Declines in private light, heat, and power company taxes reflect declining costs of electricity and natural gas, and stable statewide electricity consumption in recent years.

Table 3 shows historical collections for the two transportation fund utility taxes. Over the seven-year period, railroad company collections increased 34% and airline collections declined 8%. Increasing investments in railroad property have been partially offset by a declining statewide average property tax rate. Over the seven-year period, the statewide average tax rate decreased 13%, which has placed downward pressure on tax assessments on transportation fund utilities.

Other State Taxes on Utilities

The state imposes other general fund taxes and segregated fees on utilities. The following section discusses applicability of state corporate income/franchise tax and sales tax provisions to Wisconsin utilities. For discussion of other segregated fees, including universal service fees, low-income assistance fees, and the police and fire protection fee, see Chapter 3.

Corporate Income/Franchise Tax

In addition to the ad valorem and gross revenues taxes described above, Wisconsin public utilities are generally subject to the state corporate income/franchise tax on the same basis as other corporations. However, certain types of utility companies are exempt from this tax. Municipal light, heat, and power companies are exempt due to their status as agencies of local government. Electric cooperatives are exempt from the corporate income tax based on the general exemption for all cooperatives organized under Chapter 185 of the Wisconsin Statutes.

Taxable utility companies determine net corporate income tax liability in the same manner as most corporations. State corporate income tax provisions are generally referenced to federal law. Thus, the starting point for determining state income tax liability is determined by subtracting allowable federal deductions from federal gross income. However, there are certain state adjustments that must be made in arriving at net taxable income for state purposes. The state utility tax is specified as an allowable deduction in these adjustments. The state corporate income tax is imposed at a flat 7.9% rate on taxable income. If applicable, state tax credits are used to offset gross tax liability to arrive at net tax liability. Utility companies that are members of a combined group report their income, deductions, and tax liability in the group's combined return. More information about the state corporate income tax may be found in the Legislative Fiscal Bureau's informational paper entitled "Corporate Income/Franchise Tax."

Sales Tax

Current law provides a number of energy-related sales and use tax exemptions to utilities and other businesses, including exemptions for the following: (a) purchases by power companies of fuel used to produce electricity, steam, or other power; (b) transfers of transmission facilities to an electric transmission company; (c) the gross receipts of electric utilities and retail electric cooperatives from collections of low-income assistance fees; (d) fuel and electricity consumed in manufacturing tangible personal property; and (e) purchases of electricity and fuel, including natural gas, used in farming.

A sales tax exemption is provided for products, other than an interruptible power source for computers, whose power source is wind energy, direct radiant energy received from the sun, or gas generated from anaerobic digestion of animal manure and other agricultural waste, subject to minimum power production requirements. The sale, use, or consumption of electricity or energy produced from such a product is also exempt. Finally, state law provides a sales tax exemption for residential purchases of electricity and natural gas from November through April. Most other fuels purchased for residential use (such as coal, fuel oil, propane, steam, and peat) are totally exempt.

The state sales tax is generally imposed on telecommunications services, mobile telecommunications service, and most ancillary services (such as voicemail service and directory assistance). These services, other than telecommunication services sold on a call-by-call basis, are subject to the tax if the customer's place of primary use is in Wisconsin. Telecommunications services that are sold on a call-by-call basis are sourced to this state if the call originates or terminates in Wisconsin and is charged to a service address in this state. Beginning July 1, 2020, internet access charges are exempt from sales tax, pursuant to 2017 Act 59, and reflecting federal prohibition of the tax under the federal Trade Facilitation and Trade Enforcement Act of 2015.

The state's sales tax also applies to sales of prepaid calling services (calling cards) and prepaid wireless calling services (prepaid mobile phones), if the sales are sourced to Wisconsin. Generally, these sales are sourced to Wisconsin if the sale takes place at a retailer's location in this state, if the item that will implement the right to receive telecommunications services (such as a calling card) is shipped to a customer's address in this state, or if no item is shipped to a Wisconsin address but the customer's billing address is located in this state.

State law provides certain exemptions from the tax, such as for the cost of the countywide 911 emergency phone systems, the police and fire protection fee, detailed telecommunications billing services, and interstate 800 services.

More information about the sales tax may be found in the Legislative Fiscal Bureau's informational paper entitled "Sales and Use Tax."

CHAPTER 2

PUBLIC SERVICE COMMISSION

Wisconsin's Public Service Commission (PSC) was preceded by a Railroad Commission, which first regulated railroad rates in 1874. In 1907, the Railroad Commission's responsibilities were expanded to include regulation of telephone, telegraph, gas, water, and electric light and power companies, making Wisconsin the first state to regulate essential utility services provided to the public by entities that generally operated as non-competitive, natural monopolies. The Public Service Commission was established as successor to the Railroad Commission in 1931.

PSC's regulatory authority is vested in three full-time commissioners appointed by the Governor, with the advice and consent of the Senate, to staggered, six-year terms. The Governor designates the Commission chairperson, who serves a two-year term, and the chairperson may appoint division administrators, the chief legal counsel, and the communications and legislative director from outside the classified service. The agency's professional and support staff are members of the classified civil service. The Office of the Commissioner of Railroads (OCR) is administratively attached to PSC, and is a quasi-judicial agency responsible primarily for overseeing the 4,300 rail-highway crossings in Wisconsin.

Commission Budget

The Commission's operations are funded almost entirely by assessments on utilities it regulates, calculated to reflect the cost of their regulation. These amounts are collected as general monthly and annual assessments, as well as additional special assessments on individual utilities for costs related to proceedings of the Commission or regulatory functions specific to that utility. State law requires PSC to remit 10% of its assessment revenues to the general fund, with the remainder deposited into various program revenue (PR) accounts supporting PSC regulation and programs. Other funding sources for PSC include: (a) federal revenues supporting the Office of Energy Innovation and pipeline safety program; and (b) a portion of segregated revenues from the universal service fund, utility public benefits fund, and police and fire protection fund necessary to administer those funds and their programs. Programs funded by the universal service fund, utility public benefits fund, and police and fire protection fund are discussed in Chapter 3.

Under 2019 Wisconsin Act 9, the biennial budget act, PSC is authorized 147.25 positions, consisting of 133.0 PR, 10.25 FED, and 4.0 SEG positions. An additional 6.0 PR positions are authorized for OCR.

Commission Powers

PSC regulates electric, natural gas, steam, water, and combined water and sewer utilities and certain aspects of local telephone service. The Commission is generally responsible for:

- Setting the level and structure of rates for utility service based on authorized rates of return on investment;

- Regulating the construction, use, modifycation, and financing of utility operating property, including the use of depreciation accounts for new construction;

- Valuing operating property;

- Overseeing, examining, and auditing utility accounts and records;

- Approving utility mergers;

- Overseeing transactions between a public utility and an affiliated interest;

- Determining levels of adequate and safe service; and

- Responding to consumer complaints about utility operations and prices.

The statutes grant PSC broad jurisdiction to do all things necessary and convenient in the exercise of its regulatory authority over public utilities. The Commission has traditionally used a flexible approach in exercising its jurisdiction. Under this approach, PSC has had discretionary authority to adjust, as needed, the degree of regulation of classes of public utilities.

PSC's authority extends to intrastate utilities and the intrastate operations of multi-state utilities. At the federal level, regulatory responsibilities over interstate utility operations are divided between the Federal Communications Commission (FCC) for interstate services of telecommunications companies and the Federal Energy Regulatory Commission for interstate operations of, and wholesale sales by, energy service companies. Primary oversight of commercial nuclear power reactors that generate electricity is provided by the federal Nuclear Regulatory Commission, which regulates the operation and decommissioning of nuclear power plants and the transportation, storage, and disposal of nuclear waste from the plants.

PSC authority over rates does not extend to all public utilities. In addition to interstate utilities, some intrastate utilities are also excluded from PSC oversight. These include electric cooperatives, telephone cooperatives, certain specified providers of telecommunications services, and cable television companies. Further, these regulatory powers generally do not apply to telecommunications providers, as discussed later.

Rate Setting

Rate setting has historically been the Commission's most visible regulatory function. In a monopoly market, the rate-setting process attempts to establish prices at levels that would occur naturally under competitive market forces. While a utility's natural interest is to set prices at levels that maximize profits, the regulatory process provides a balance so that services are extended at prices that are reasonable both to ratepayers and to utility owners.

Rate setting typically involves three basic determinations. First, the Commission sets a rate of return that the utility is allowed to earn on its investment in generating facilities and equipment. Second, the amount of revenue necessary for the utility to operate, pay debt, and meet its allowable rate of return is determined. Third, prices are set at levels that will generate the company's revenue requirement, allocated across categories of service according to relative costs and other factors for each category. All corporate income taxes, ad valorem or gross revenue utility taxes, and sales taxes are treated as expenses, and are generally fully recovered through the rates.

Commission Review Process

For utilities subject to regulation, the Commission review process generally has three procedural phases: pre-hearing, public hearing, and decision-making. First, the pre-hearing phase begins when a utility action is subject to a Commission proceeding, such as when a utility proposes to modify rates, issue stocks and bonds, or undertake major construction projects. Prior to any formal hearing, PSC staff analyze the request and its impact and conduct a company audit. Second, during the public hearing phase, the utility makes a formal presentation of its proposal. During this phase, the public, authorized intervenors, or PSC staff may challenge the utility's request or suggest alternatives. Finally, during the decision-making phase, commissioners hold an open meeting in which they deliberate and make a decision based on the factual record developed during initial filings and the public hearing, and seek to balance the interests of the public and the utility.

While PSC decisions are generally final, they may be appealed by the utility or by other parties with an interest in the matter. Appeals may be made either directly to circuit court, or to PSC for a rehearing and then to circuit court.

Intervenor Compensation

Commission proceedings represent substantial planning and investment by the involved utility, which must make a case for the necessity of its proposal. If approved, the cost of most proposals brought before the Commission is typically borne by a broad base of ratepayers. Any item before the Commission typically represents a small increase in any given ratepayer's bill, and the cost to contest a proposed increase is considerably higher than any individual benefit of doing so. Thus, while the utility is able to allocate resources to argue its case before the Committee, the diffuse set of ratepayers lack the individual financial incentive to participate in proceedings, but subsequently bear any cost associated with approval of a utility's proposal.

The Commission operates an intervenor compensation program to provide financial support to parties that participate in a proceeding to represent the interests of ratepayers or other interested parties. Any party granted intervenor status is required to appear at technical hearings and be avail-able for cross-examination by other parties in the proceeding. Further, the intervenor may submit testimony to be included in the factual record considered by the Commission. Thus, the program allows the Commission to develop a broader perspective and set of evidence in making decisions.

To fund the program, PSC imposes assessments on utilities participating in the proceeding, and the assessments are subsequently passed on to ratepayers. As a result, the intervenor compensation program allows for representation of the interests of a broad base of ratepayers, who then contribute funding via their utility bill commensurate with their benefit of representation before the Commission. Further, while any person affected by a Commission decision may petition for judicial review, Commission decisions based on a complete factual record are less likely to be subject to judicial challenge, meaning increased intervenor participation may reduce future costs of litigation.

During the 2019-21 biennium, PSC is authorized to assess utilities up to $842,500 each year to support the intervenor compensation program. The Commission only assesses utilities for actual expenditures under the program, and has not used its full authorization in recent years. In 2019-20, intervenor compensation expenditures totaled $675,100.

Eligibility. To receive intervenor compensation, an organization or individual must first request and be granted intervenor status in a specific proceeding. To be granted intervenor status, the intervenor must demonstrate that they will be materially affected by the proceeding, that participation in the proceeding is a financial hardship absent intervenor compensation, and that representation of their interest is necessary for a fair determination by the Commission. Compensation is provided on a reimbursement basis for expenses determined by the Commission as necessary for the intervenor's participation and may include: (a) attorney's fees; (b) expert witness fees; (c) clerical services; (d) preparation of studies, displays, and exhibits; and (e) travel expenses.

Citizens Utility Board. 2009 Wisconsin Act 383 authorizes PSC to provide annual grants of up to $300,000 from the intervenor compensation appropriation to one or more nonstock, nonprofit corporations that have a history of advocating on behalf of residential ratepayers for affordable rates. Grants may support general operating expenses of recipients, including salaries, benefits, rent, and utility expenses. Since its inception, only the Citizens Utility Board (CUB) has received funding under this provision. CUB frequently participates in Commission proceedings as an intervenor, and has received $2,393,000 under this provision since its inception in 2009-10, including the most recent grant of $300,000 in 2019-20. CUB also regularly applies for and receives reimbursement through the general intervenor compensation program.

Energy Regulation

In addition to general utility regulation duties described previously, such as rate setting and financial oversight, PSC exercises its authority specific to electric utilities in matters related to transmission, wholesale generation, wind turbine siting, and reliability and adequacy of generation infrastructure.

Siting of Power Plants and Transmission Facilities

State law prohibits the construction of large electric generating facilities and high-voltage transmission lines unless PSC has issued a certificate of public convenience and necessity (CPCN). Unlike other PSC regulatory activities, the siting portion of the CPCN requirement also applies to electric cooperatives and merchant companies.

A CPCN is required for any generating facility in Wisconsin with a capacity of 100 megawatts or more and high-voltage transmission facilities operating at 345 kilovolts or more. Certificates of public convenience and necessity are generally not required for transmission lines rebuilt for operation at the same voltage in largely the same right of way. For smaller facilities not meeting the CPCN threshold of 100 megawatts or 345 kilovolts, PSC may require an electric utility to obtain a certificate of authority. The certificate of authority requirement also extends to distribution and transmission lines of natural gas utilities.

Before issuing a CPCN, PSC must determine that the proposed facility meets a number of statutory standards. These standards relate to electric energy reliability, service efficiency, future electricity needs, wholesale market competition, the impact on the environment, and existing land use and development plans. Some facilities, such as merchant plants, are specifically excluded from certain standards, and other standards are specifically limited to high-voltage transmission lines and PSC-regulated public utilities. Based on its findings, PSC may approve, deny, or modify proposed facility applications.

Wind Turbine Siting

State law directs PSC to establish a 15-member Wind Siting Council and promulgate administrative rules with the Council's assistance to establish standards for wind energy systems. These rules are established in administrative code Chapter PSC 128. The Wind Siting Council last met in October 2014 to approve submittal of its report to the Legislature on wind turbine siting policy and health effects. The Council examined peer-reviewed scientific literature studying the health effects of wind turbines and found that "the majority of individuals living near utility-scale wind systems do not report stress, sleep deprivation, or chronic adverse health effects attributed to wind turbines."

The report did not recommend changes to existing wind siting regulation in Wisconsin, noting the lack of notable health effects and that existing wind siting regulations under PSC 128 are consistent with other states and national policy.

Transmission Regulation

Effective October 1, 2001, state law requires the transfer of ownership of high-voltage transmission lines held by Wisconsin-based public utility companies operating primarily in the eastern part of the state to a newly created transmission company, the American Transmission Company (ATC). Utilities transferring property received an equivalent equity interest in ATC for those assets. Because it is jointly owned by connected utilities, ATC is able to provide equitable access to the transmission grid at fair rates. Additionally, ATC is responsible for constantly monitoring the flow of electricity across the transmission grid, as well as for the planning, construction, operation, maintenance, and expansion of the grid. ATC is subject to regulation primarily by the Federal Energy Regulatory Commission, which regulates transmission and wholesale sale of electricity. However, PSC still retains authority to regulate ATC's construction and siting of transmission infrastructure. In western Wisconsin, Xcel Energy and Dairyland Power Company, among others, continue to maintain their own transmission infrastructure.

Affiliated Interests and Leased Generation

Generally, an affiliated interest is a person or company with an ownership interest in a public utility or a company in which a public utility has an ownership interest. State law authorizes public utilities and the affiliated interests of those utilities to enter into long-term, leased-generation contracts with one another. By entering into a leased-generation contract, utilities are able to take advantage of less-regulated financing and contracting options available to the affiliated interest than if they constructed the facility themselves.

Under a leased-generation contract, the affiliated interest agrees to construct or improve generation infrastructure that it then leases to a utility for a minimum of 20 years (gas-burning facilities) or 25 years (coal-burning facilities). After the initial period, the contract must allow a utility to purchase the facility at fair market value or renew the lease. The project must be at least a $10 million improvement in order to qualify as a leased-generation contract.

State law requires PSC approval of leases and lease renewals between public utilities and affiliated interests. The Commission must find that the lease will not have a substantial, anticompetitive effect on electricity markets for any class of customers. Also, state law prohibits PSC from increasing or decreasing the retail electric rates of a utility on the basis of any gain or loss incurred or by the utility's affiliated interest due to its ownership of equipment and facilities under a leased generation contract. PSC must allow a utility to recover in rates all costs related to a leased-generation contract.

Strategic Energy Assessment

Section 196.491 of the statutes directs PSC to prepare a biennial report that evaluates the adequacy and reliability of the state's current and future electrical supply. Each Strategic Energy Assessment (SEA) covers a seven-year period and must identify the projected demand for electric energy and assess whether sufficient electric capacity and energy will be available to the public at a reasonable price. Also, the SEA must identify and describe electric generation and transmission facilities planned for construction, existing and planned renewable-resource generating facilities, plans for ensuring that there is adequate ability to transfer electric power into the state, and activities to discourage inefficient and excessive power use. In addition, the SEA must assess factors related to competition, purchased generation capacity and energy, and regional bulk power, and must consider other factors such as the public interest in economic development, public health, the preservation of the environment, and the diversification of energy sources. The Commission's latest report was issued in October, 2020, covering the period between 2020 and 2026.

Water and Sewer Regulation

PSC is responsible for regulating the 575 drinking water utilities in Wisconsin, including both investor-owned and municipal utilities. Regulatory responsibilities include the general utility regulatory powers described previously, covering rate setting, financial oversight and complaint mediation. In several instances a municipality has elected to combine its water and sewer services into a single utility. In those instances, the combined utility is subject to regulation similar to other drinking water utilities.

The 600 sewer utilities in Wisconsin are operated by municipalities and not subject to PSC regulation. Additionally, while state law requires PSC to regulate investor-owned sewer utilities, no such investor-owned utilities exist. Municipal storm water utilities are similarly not subject to PSC regulation. While sewer and storm water utilities are not subject to regulation, PSC retains authority to mediate customer complaints related to the rates, rules, or practices of municipal sewerage operations and municipal storm water utilities. These complaints may be addressed informally by the Commission, or subject to a formal hearing.

Financial Assistance for Replacement of Customer-Side Lead Service Lines

Many older cities and villages in Wisconsin have water service lines that contain lead. Water service lines, also known as laterals, connect a building to the water mains in the street, and carry drinking water from the public water system to the individual building. In general, the portion of the lateral that extends from the water main to the curb is the responsibility of the public water system, and the portion of the lateral that extends from the curb to the building is the responsibility of the property owner.

2017 Wisconsin Act 137 authorizes public water utilities to provide grants and loans to customers for replacing the customer-owned portion of a lead service line. Under the act, a water utility may offer such financial assistance only if: (a) it has received approval from the PSC for its program; and (b) the municipality in which it operates requires property owners to replace lead service lines. The utility-side service line also either must not contain lead or, if it is a lead-containing line, must be replaced at the same time as the customer-side line. Act 137 allows utilities to assess water utility ratepayers an amount sufficient to fund the financial assistance program. Grants may be no more than 50% of the cost of replacement of the lead service line, but may also be paired with a loan to fund the entire initial cost of the project. As of October, 2020, the cities of Kenosha, Manitowoc, Menasha, Fond du Lac, Sun Prairie, Green Bay, Kaukauna, and Sheboygan have programs approved by PSC.

Telecommunications Regulation

Beginning in 1984 with the breakup of AT&T under settlement conditions of an antitrust lawsuit initiated by the U.S. Department of Justice, telecommunications utilities have become incrementally less regulated as modern technologies, competitive forces, and public policy have shaped the structure of the telecommunications industry. Most recently culminating with 2011 Wisconsin Act 22, these changes have left telephone, internet, and cable service providers largely free from traditional utility regulation by PSC related to rate setting, auditing of utility finances, overseeing service provision and infrastructure investment, and requiring service to all who request it.

The remaining telecommunications responsibilities of PSC include regulating intercarrier relations and administering the universal service fund. However, it should be noted that the FCC still retains federal regulatory control of interstate telecommunications providers, and the Department of Agriculture, Trade and Consumer Protection still enforces consumer protection laws associated with telecommunications services.

In lieu of traditional regulation, PSC telecommunications oversight has transitioned to the imposition of universal service fees on telecommunication providers. Under traditional utility regulation, utilities are generally required to provide service to any individual within their service territory that requests it. Instead of this mandate, PSC and other state agencies use revenues from universal service fees to administer a variety of programs that increase accessibility and affordability of telecommunications service for low-income and disabled persons and those living in areas with high costs of service. For further discussion of the universal service fund and its programs, see Chapter 3.

Pipeline Regulation

Both the federal and state governments impose regulations regarding pipeline safety. These regulations cover the design, construction, operation, inspection, repair, and maintenance of pipelines, the training and testing of pipeline employees and contractors, and the maintenance of pipeline company records. The Office of Pipeline Safety (OPS) in the U.S. Department of Transportation has certified PSC to regulate, inspect, and enforce intrastate gas pipeline safety requirements in Wisconsin. OPS has retained authority over safety requirements for interstate gas pipelines and for intrastate and interstate liquid pipelines in Wisconsin. PSC activities include completely inspecting every natural gas company at least once every three years, reviewing every natural gas company's maintenance records at least once every year, inspecting in-state gas pipeline construction plans, making unscheduled inspections of pipeline construction projects, and advising natural gas companies about safety matters. The federal government reimburses the state for up to 80% of its costs for administering the pipeline safety program.

Energy Efficiency and Renewable Energy

Office of Energy Innovation

PSC's Office of Energy Innovation (OEI) provides assistance to residents, businesses, and local governments to increase investment in renewable energy and energy efficiency projects. OEI projects include, among others: (a) increasing utilization of ethanol in motor vehicle fuel; (b) providing grants to local governments, school districts, and manufacturers to support investment in renewable energy and energy efficiency; (c) collaborating with local governments and schools to implement renewable energy and energy efficiency programs; and (d) collecting and reporting energy statistics, including participating in the U.S. Department of Energy's state heating oil and propane pricing survey. OEI is also responsible for oversight of the Focus on Energy program, discussed later. As of October 1, 2020, OEI had 9.0 positions, consisting of 5.0 FED, 3.75 utility public benefits fund SEG, and 0.25 PR positions.

Renewable Portfolio Standards

Section 196.378 of the statutes establishes a renewable portfolio standard (RPS) that 10% of electricity sold by utilities and electric cooperatives in Wisconsin be from renewable sources by 2015. Wisconsin's RPS was incrementally phased in over time, up to its current requirement that

10% of electricity sold be from renewable sources by 2015 and annually thereafter. This goal was first achieved in 2013, and has been achieved each year since. Renewable resources are defined as those that generate electricity from, among others: (a) wind power; (b) solar thermal or photovoltaic systems; (c) hydroelectric systems; (d) biomass, including landfill gas, wood or wood waste, and other biogas; (e) geothermal systems; or (f) tidal or wave action.

In 2019, Wisconsin electric providers produced 10.7% of their energy from renewable sources. Providers may also procure renewable energy for their green pricing programs, by which customers voluntarily pay a premium to purchase renewable energy. Adding in voluntary programs, 11.1% of electricity produced in 2019 was from renewable sources. In 2019, electricity from renewable sources was derived primarily from wind (7.3% of all electricity), hydro (2.6%), biomass (1.1%) and solar (0.2%).

Biennially, PSC is required to report to the Governor and Legislature on the impact of RPS on electricity rates relative to having no RPS in place. PSC analysis indicates that in 2017 and 2018, the program resulted in rates that were between 2.48% and 3.52% higher, on average, than rates would have been without the these renewable standards. Given that Wisconsin's RPS is not set to increase further, it is expected that the higher ratepayer cost related to RPS requirements will diminish over time. Further, given recent advances in technology, especially related to wind and solar power, renewable energy in certain instances may be less expensive than nonrenewable alternatives.

Focus on Energy

Section 196.374 of the statutes establishes a statewide energy efficiency and renewable-resource program known as Focus on Energy (Focus). Investor-owned electric utilities are required by law to contribute 1.2% of revenues from retail sales of electricity and natural gas to support the program. In the case of large energy customers, state law froze contributions based on the amount raised in 2005, adjusted for the lesser of inflation (measured by the Consumer Price Index) or the increase in utility operating revenues.

Municipal utilities and electric cooperatives are required to collect an average of $8 per year per electric meter served to fund similar energy efficiency and renewable-resource programs. Municipal utilities and electric cooperatives may elect to operate their own program independently, or contribute to Focus. In 2020, all 82 municipal electric utilities contributed to Focus, and 11 of 24 electric cooperatives contributed to Focus.

In 2019, Focus recorded revenues of $101,793,200, consisting of $98,269,600 in contributions from investor-owned utilities, $3,497,700 in contributions from municipal electric providers and cooperatives, and $25,900 from education and training program fees.

Focus is operated by the Statewide Energy Efficiency and Renewables Administration (SEERA), a nonprofit formed by Wisconsin's investor-owned utilities. SEERA contracts with private companies to implement the Focus program, including APTIM for program administration and Wipfli for financial management. SEERA contracts are subject to approval by PSC.

Because Focus is administered by SEERA and contributions are made directly from participating utilities, it is not subject to the state budget process. However, PSC provides program oversight, which includes: (a) setting annual targets and four-year goals for electricity and natural gas savings; (b) developing, approving, and monitoring program budgets; and (c) reviewing and approving program designs developed by the program administrator. At least once every four years, the Commission must conduct a formal evaluation of existing energy efficiency and renewable-resource programs and set or revise goals, priorities, and measurable targets for the programs.

Focus Programs. APTIM contracts with a variety of companies to deliver individual Focus programs. Focus is structured into three components: (a) business energy efficiency programs; (b) residential energy efficiency programs; and (c) residential and business renewable-energy programs. In general, 40% of Focus program funding is allocated for residential programs and 60% for business programs, intended to reflect the relative contribution of each customer type. In addition to these programs, Focus funds research related to program design and delivery. Five research projects were awarded $244,500 in 2020 and $155,000 in 2021.

Focus's energy efficiency programs employ a number of techniques, including: (a) financial incentives such as discounts and rebates for purchase and installation of energy-efficient lighting, ventilation systems, appliances, and insulation; (b) on-site consultations for business, government, education, and agriculture customers to improve access to incentives and assist in implementation of energy-efficient practices; (c) financial incentives for new construction projects that use energy-efficient design elements or components. Renewable-resource Focus programs provide financial support for solar photovoltaic installations for all customer types, and installation of biogas, biomass, solar thermal, and wind technologies in nonresidential settings. Additionally, Focus renewable-resource funding supports feasibility studies and development of anaerobic digester facilities producing biogas.

Other Energy Efficiency and Renewable-Resource Programs. In addition to the statewide Focus program and independently operated electric cooperative programs, additional energy efficiency and renewable programs are also authorized by statute, consisting of: (a) large energy customer programs, which may be administered by the customer itself or the utility; and (b) voluntary utility-administered programs. With Commission approval, a utility or large energy customer may use contributions that otherwise would be made to the Focus program to operate its own program. Additionally, utilities may operate voluntary programs not funded by the 1.2% required contribution. PSC reports no such utility- or customer-administered large energy programs have ever operated. As of 2020, four utilities (We Energies, Alliant Energy, Wisconsin Public Service, and Xcel Energy) operate voluntary programs not funded by Focus contributions.

Wisconsin Broadband Office

The Wisconsin Broadband Office within PSC is responsible for advancing the availability, adoption, and use of broadband technology. The Office does so through comprehensive mapping of broadband availability in Wisconsin, administration of the broadband expansion grant program, and certifying communities that are broadband- and telecommuter-friendly.

Broadband Mapping

The Wisconsin Broadband Office maintains an interactive map of broadband access throughout the state. Map data is collected from a variety of sources, including directly from telecommunications providers and the FCC. The map provides data on the quality and availability of service, including a list of providers at a location and advertised connection speeds. The map is updated several times annually and is available on the PSC website at: https://maps.psc.wi.gov/apps/WisconsinBroadbandMap/.

Broadband Promotion

PSC promotes broadband access by offering Broadband Forward! and Telecommuter Forward! certifications for municipalities. In order to receive these certifications, communities implement policies intended to reduce barriers to telecommuting and construction of broadband infrastructure in order to achieve social and economic benefits for the community and attract outside investment.

Broadband Forward! certified municipalities are those that adopt an ordinance meeting the requirements under section 196.504(5) of the statutes. Generally, the section requires that the municipality implement measures to facilitate and expedite review of permits and applications related to broadband network projects, including appointing a single point of contact for applicants, shortening the review period of proposals, and requiring a transparent review process. As of October, 2020, 54 municipalities have received Broadband Forward! certification. A listing and map of certified municipalities is available on PSC's website.

Telecommuter Forward! certified municipalities are those that adopt a resolution the requirements under section 196.5045(3) of the statutes. Generally, the section requires that the municipality demonstrate commitment to facilitating the availability of telecommuting options in a community and appoint a single point of contact that collaborates with broadband providers, the Wisconsin Broadband Office, economic development professionals, and others to support telecommuting. As of October, 2020, 40 municipalities have received Telecommuter Forward! certification. A listing and map of certified municipalities is available on PSC's website.

Broadband Expansion Grant Program

As part of its broadband duties, PSC administers the broadband expansion grant program to increase internet access and quality in Wisconsin. Profit and not-for-profit organizations, telecommunications utilities, and municipalities partnering with those organizations and utilities are eligible to apply for grants. Priority is given to projects that include matching funds, that involve public-private partnerships, that affect areas with no broadband service providers, that are scalable, that promote economic development, that will not delay broadband deployment to neighboring areas, or that affect a large geographic area or a large number of underserved individuals or communities. The program first awarded grants during the 2013-14 fiscal year.

Funding. Table 4 shows broadband expansion grant funding by year. Funding for broadband expansion grants has been provided from several different sources: (a) transfers from the federal e-rate program administered by the Department of Administration (DOA); (b) universal service fund (USF) SEG appropriations and transfers; (c) federal coronavirus relief funds; and (d) a one-time transfer of DOA information technology and communications services PR.

USF SEG funding is derived from PSC assessments on companies providing retail intrastate voice telecommunications services. Providers pay assessments monthly based on an assessment rate that PSC adjusts annually. USF SEG funding for broadband expansion grants consists of appropriated amounts, as well as transfers, or "sweeps," of funds in other USF program appropriations that remain unexpended or unencumbered at the end of the fiscal year. If these swept amounts do not total $2 million, PSC is authorized to assess contributing telecommunications providers the difference. The first sweep occurred on June 30, 2018, and totaled $2,242,600. Subsequent sweeps at the end of 2018-19 and 2019-20 totaled $3,075,700 and $3,392,500, respectively. For further discussion of the universal service funding and programs, see Chapter 3.

The federal e-rate program provides funding from the federal USF to reimburse the state for a percentage of funds used to support telecommunications availability in schools and libraries, provided primarily through the state's Technology for Educational Achievement (TEACH) program. As Wisconsin has received federal reimbursement for

Table 4: Broadband Expansion Grant Funding

Year	PR [a]	USF SEG	E-Rate FED	CRF FED	Total
2013-14	$4,300,000				$4,300,000
2014-15					0
2015-16	-3,347,400	$6,000,000 [b]			2,652,600
2016-17					0
2017-18			$11,000,000		11,000,000
2018-19		2,242,600 [c]			2,242,600
2019-20		3,075,700 [c]	22,000,000		25,075,700
2020-21		3,392,500 [c]	22,000,000	$5,378,500	$30,771,000
Total	$952,600	$14,710,800	$55,000,000	$5,378,500	$76,041,900

[a] From the Department of Administration's appropriation for information technology and communications services to nonstate entities. Remaining amounts were transferred to the general fund under 2015 Wisconsin Act 55.
[b] From the unencumbered balance of the USF.
[c] Sweeps of unexpended amounts from other USF program appropriations.

state USF funding dedicated to e-rate reimbursement-eligible expenditures under TEACH, funding has accumulated in the federal e-rate aid appropriation. These accumulated funds have been transferred to the broadband expansion grant program, with $11 million in 2017-18 under the 2017-19 biennial budget, and $22 million each year under the 2019-21 biennial budget. TEACH is discussed in further detail in Chapter 3.

In fall 2020, PSC opened an extraordinary grant round to distribute federal funding allocated by the Governor as part of Wisconsin's federal Coronavirus Relief Fund allocation under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provided funding to states to support extraordinary needs during the coronavirus public health emergency. CARES Act funding for broadband was intended to increase internet access to support telehealth, distance learning, and telecommuting needs in underserved areas of the state precipitated by the coronavirus public health emergency.

Awards. Table 5 shows broadband expansion grant awards by grant round. Over nine grant rounds from 2013-14 to 2020-21, the Commission has awarded $49,568,700 in grants to 221 projects. The most recent grant allocation was made with federal funding in October, 2020. An additional grant round in 2020-21 will allocate funding appropriated under 2019 Act 9.

Table 5: Broadband Expansion Grant Awards

Round	Fiscal Year	Fund Source	Projects	Amount Awarded
1	2014	PR	7	$500,000
2	2015	PR	7	452,600
3	2016	SEG	11	1,500,000
4	2017	SEG	17	1,500,000
5	2018	SEG	13	1,500,000
6	2018	SEG/FED	46	7,689,000
7	2019	SEG/FED	37	7,053,600
8	2020	SEG/FED	72	23,995,000
9	2021	FED	11	5,378,500
10	2021	SEG/FED	*	*
Total			221	$49,568,700

*Awards will be announced in Spring, 2021.

Broadband expansion grant appropriations are provided on a continuing basis, meaning any unexpended amount at the end of a fiscal year may be carried forward for expenditure in future fiscal years. Occasionally, final grant expenditures are below original award amounts due to cancelled projects or projects costing less than originally estimated, freeing up previously awarded funding for use in a subsequent grant round. The total available for grant awards in the 2020-21 cycle is $32 million, consisting of prior year funds of $1,258,600, a transfer of $22 million in federal e-rate funding, an allocation of $5,378,500 in federal coronavirus relief fund monies, and a sweep of $3,392,500 of unexpended funds from other USF appropriations.

CHAPTER 3

Universal Service Fund and Other Utility Fees

In addition to utility, corporate, and sales taxes described in Chapter 1, and cost-of-regulation assessments described in Chapter 2, public utilities and their customers are also subject to several other fees under state law, including: (a) state universal service fees; (b) state low-income assistance fees; and (c) the police and fire protection fee. The following sections provide a description of each of these fees and the programs they support.

Universal Service Fund

Since 1996, the PSC has administered the state universal service fund (USF) to ensure that all state residents receive essential telecommunications services, as defined under federal law to include: (a) single-party voice-grade access to the public switched network or its functional equivalent; (b) local usage; (c) access to emergency services; and (d) toll limitation for low-income customers. To implement this general statutory directive, PSC has promulgated administrative rules establishing the various USF-funded programs. Several other state entities operate USF programs, including DOA, Department of Public Instruction (DPI), and University of Wisconsin System.

The USF is overseen by the 15-member Universal Service Fund Council. Members of the USF Council are appointed by the Commission and consist of seven representatives of telecommunications providers and eight representatives of consumer groups. The Council serves as an advisor to the Commission in administration of USF programs, including reviewing and recommending for approval the annual budget of Commission-operated USF programs. The USF is administered by a private firm under contract with PSC.

Revenue

The USF is funded through assessments on providers of retail intrastate voice telecommunications services. Providers pay assessments equal to a percentage of their gross revenues on a monthly basis, and PSC adjusts the percentage annually to an amount sufficient to support USF program appropriations. Under section 196.218(3)(e) of the statutes, telecommunications providers are authorized to pass on the cost of these assessments as a fee on customer bills. The FCC administers a federal USF funded by assessments on telecommunications provider revenues derived from interstate telecommunications services.

Assessment rates are set at a level sufficient to support the program budgets of USF programs. The most recent rate adjustment occurred in October, 2020, and set a monthly assessment rate of 0.344% of gross revenue from intrastate services, or $3.44 per $1,000 of revenue. The assessment rate is determined based on 2019 gross revenues, which totaled $1,021,465,000, and is expected to result in annual assessment revenue of $42.2 million to the fund.

The assessment total of $42.2 million roughly equals the total program budgets of all USF programs in 2020-21, excluding the broadband expansion grant program. The broadband expansion grant program budget is derived from unexpended assessment revenues from prior years. However, PSC is authorized to assess telecommunications providers an additional amount to meet a minimum funding level of $2 million for the broadband expansion grant program in the event that year-end unencumbered amounts transferred from other USF programs do not provide at least that amount. To date, no such additional assessment has been necessary.

Public Service Commission

PSC USF programs, with the exception of the broadband expansion grant program, are supported by a single appropriation authorized to expend $5,940,000 in 2020-21 under 2019 Act 9. Actual expenditures in the appropriation fell below the budgeted amount in 2018-19 ($3.5 million) and 2019-20 ($3.4 million), and the Commission has adopted a $4.7 million budget for 2020-21. In addition to the following budgeted amounts for each program, $236,100 is budgeted in 2020-21 for administrative costs for the privately contracted administrator of the USF.

In recent years, the Commission has maintained a budget for USF programs below its $5.9 million appropriation level to sweep remaining funding to the broadband expansion grant program. Leaving a portion of its USF appropriation unexpended has allowed PSC to avoid imposing additional assessments to meet the $2 million USF SEG funding level for broadband expansion grants. Each PSC program and its 2020-21 budget is described in the following paragraphs. Table 6 shows appropriations by institution and program under the universal service fund.

Lifeline. The lifeline program pays a portion of services charges for monthly basic telephone landline service or low-usage prepaid wireless service for low-income households. In 2020-21, lifeline is budgeted $1,750,000 for program outreach and services.

Telecommunications Equipment Purchase Program (TEPP). TEPP provides vouchers to persons with disabilities to help fund the purchase of special telecommunications equipment necessary to use a telephone. In 2020-21, TEPP is budgeted $1,675,000 for program outreach and services.

Nonprofit Access Grant Program. The nonprofit access grant program provides grants to organizations that facilitate affordable access to telephone and internet services to low-income or disabled individuals, or those living in areas with high costs. Grant recipients must provide a 33% funding match. In 2020-21, the program is budgeted $500,000.

Telemedicine Equipment Grant Program. The telemedicine equipment grant program provides grants to nonprofit medical clinics and public health agencies to purchase telecommunications equipment that promotes technologically advanced medical services, enhances access to medical care in rural or underserved areas, or enhances access to medical care to underserved populations or persons with disabilities. In 2020-21, the program is budgeted $500,000.

Two-Line Voice Carryover Program. The two-line voice carryover program provides funding to support the costs of a second telephone line to certain hearing-impaired customers who require two lines to communicate over the telephone. In 2020-21, the program is budgeted $5,000.

High-Rate Assistance Credit Program. The high-rate assistance credit program reimburses telecommunications providers for credits they extend to residential customers when the total rate for residential service exceeds a specified percentage of the median household income for a county in their service area. Due to changes in federal regulations intended to increase competition and reduce service cost and changes in program rules, HRAC has been inactive in recent years and is budgeted $0 in 2020-21.

Broadband Expansion Grant Program. The broadband expansion grant program provides grants to support projects that increase internet access and quality in Wisconsin. During the 2019-21 biennium, the program is budgeted $22 million each year, plus additional unexpended amounts swept from other USF appropriations at year-end, which totaled $3,075,700 in 2019-20 and $3,392,500 in 2020-21. For more discussion of the broadband expansion grant program, see Chapter 2.

Department of Administration

Technology for Educational Achievement (TEACH). DOA administers the TEACH program to support internet access for eligible entities through rate discounts and subsidized installation of data lines and information technology infrastructure. Eligible entities include public school districts, private schools, CESAs, technical college districts, charter school sponsors, juvenile correctional facilities, private and tribal colleges, public museums, and public libraries.

State funding for the TEACH program is provided from the USF and federal e-rate funds. In 2019-20, expenditures for the TEACH program totaled $13,805,400, consisting of $13,359,700 USF SEG and $445,700 e-rate FED. While the program is budgeted $15,984,200 SEG in 2020-21, DOA anticipates expenditures of $14,797,500, as shown in Table 6.

Table 6: 2020-21 Universal Service Fund Program Budgets

Public Service Commission	
Broadband Expansion Grant Program*	$4,651,100
USF Administration	$236,100
Lifeline	1,750,000
Telecommunications Equipment Purchase Program (TEPP)	1,675,000
Nonprofit Access Grant Program	500,000
Telemedicine Equipment Grant Program	500,000
Two-Line Voice Carryover Program	5,000
High-Rate Assistance Credit Program	0
Department of Administration	
Technology for Educational Achievement (TEACH)	$14,797,500
Department of Public Instruction	
Badgerlink and Newsline for the Blind	$3,283,300
Aids to Public Library Systems	16,013,100
Library Service Contracts	1,342,400
Wisconsin Digital Learning Collaborative	1,000,000
University of Wisconsin System	
Badgernet	$1,054,800
Total	$46,808,300

*Excludes $22 million transferred from the federal e-rate program appropriation and a $5.4 million federal Coronavirus Relief Fund allocation.

Department of Public Instruction

BadgerLink and Newsline for the Blind. Under 2019 Act 9, DPI is budgeted $3,283,300 in 2020-21 for its BadgerLink and Newsline for the Blind programs. Badgerlink is a publicly accessible online library maintained through vendor contracts that offers access to licensed content such as magazines, newspapers, scholarly articles, videos, images, and music. Newsline for the Blind provides access to daily newspapers via an automated electronic voice that can be accessed by telephone for those who are not able to read print newspapers.

Aids to Public Library Systems. Act 9 provides $16,013,100 in 2020-21 for aid to public library systems. Funding is provided to public libraries to extend services, promote resource sharing among libraries, and increase access to library materials and services by the state's residents. Public library aid is distributed based on a statutory formula.

Library Service Contracts. Act 9 provides $1,342,400 in 2020-21 for library service contracts with four providers: the Milwaukee Public Library, the University of Wisconsin-Madison, the Wisconsin Talking Book and Braille Library, and the Cooperative Children's Book Center. Contracts with Milwaukee Public Library and UW-Madison support Wisconsin residents' access to those institutions' libraries through interlibrary loan. The Wisconsin Talking Book and Braille Library provides access to audio books and braille materials to Wisconsin residents who cannot see. The Cooperative Children's Book Center is a research library for Wisconsin school and public librarians, teachers, university students, and early childhood care providers housed at the University of Wisconsin-Madison's School of Education.

Wisconsin Digital Learning Collaborative. Act 9 provides $1,000,000 in 2020-21 for the Wisconsin Digital Learning Collaborative, which provides access to online courses, professional learning, research and best practices, and administrative planning support for Wisconsin public, private, and charter schools.

University of Wisconsin System

Act 9 provides UW System $1,054,800 in 2020-21 for UW to reimburse DOA for Badgernet telecommunications services provided to its campuses.

Low-Income Assistance Fees

The segregated utility public benefits fund is supported by revenues from state low-income assistance fees collected by utilities as line items on customer bills. Investor-owned electric utilities are required to collect the fee and remit it to the Department of Administration. Funding supports the Home Energy Plus program at DOA, the Wisconsin Works program at the Department of Children and Families, and several positions at PSC. In addition to investor-owned utility contributions, municipal electric utilities and electric cooperatives may contribute to the utility public benefits fund in lieu of operating their own low-income assistance program. Low-income assistance fees are not included in the base for the purposes of calculating gross revenue-based public utility taxes.

The Home Energy Plus program helps low-income households with payment of energy and heating bills, weatherization, energy conservation, and crisis prevention. In 2019-20, a total of $46.9 million was expended from the utility public benefits fund for the Home Energy Plus program. For further discussion of the utility public benefits fund and the Home Energy Plus program, see the Legislative Fiscal Bureau's informational paper entitled "Department of Administration's Energy Services."

Wisconsin Works (W-2) is a work-based program that provides training and support services to assist low-income parents to obtain permanent and stable employment. W-2 also provides employment services and cash assistance to eligible families. Although W-2 is primarily funded by federal Temporary Assistance for Needy Families (TANF) funding, W-2 is budgeted $9,139,700 utility benefits fund SEG in 2020-21. For further discussion of W-2, see the Legislative Fiscal Bureau's informational paper entitled "Wisconsin Works, Child Care, and Other Economic Support Programs."

The utility public benefits fund also supports 4.0 SEG positions at PSC and $398,800 SEG annually in the 2019-21 biennium for Office of Energy Innovation programs and administration of the Focus on Energy program.

Police and Fire Protection Fee

State law requires telecommunications providers to impose a police and fire protection fee on each telephone line with an assigned phone number, including landlines, cellphones, and internet-based voice lines. For each subscriber, the fee is equal to 75¢ per month for each phone number up to 10, plus an additional 7.5¢ for each line thereafter. Prepaid wireless subscribers pay one-half the typical fee, or 38¢ per line per month. The fee is collected by providers, and may be listed separately as part of customer bills or in conjunction with county-level 911 fees. The police and fire protection fee is not included for the purposes of calculating sales tax.

PSC is budgeted $166,600 each year of the 2019-21 biennium for administration of the police and fire protection fund, for which it contracts with the Department of Revenue (DOR). DOR deposited police and fire protection fees totaling $55.4 million in 2019-20 into the segregated police and fire protection fund. Funding from the police and fire protection fee supports: (a) the county and municipal aid program; and (b) the Department of Military Affairs' Interoperability Council and its programs. For further discussion of the county and municipal aid program, see the Legislative Fiscal Bureau's informational paper entitled "Shared Revenue Program." For further discussion of the Interoperability Council, see the Legislative Fiscal Bureau's informational paper entitled "Emergency Communications Systems.

WISCONSIN COUNTIES UTILITY TAX ASSOCIATION BY LAWS
Update Approved December 8, 2017

ARTICLE 1 – OFFICES

The initial principal office shall be as stated in the Articles. Thereafter the principal office may be at any location in the State of Wisconsin designated by the Association.

The Association may also establish such other offices in the State as it deems necessary.

ARTICLE 2 – MEMBERSHIP

Membership shall be of one class and shall continue as long as the annual dues are paid.
Any county in Wisconsin having an interest in shared utility tax issues may be considered for membership in this Association. *The amount shall be 1.5% of the annual utility tax revenue determined by the Department of Revenue or as determined by the WCUTA board or a minimum of $500, whichever is greater.* New members shall be approved by a two-thirds vote of the association."

The annual dues shall be determined by the vote of the members, on the recommendation of the Executive Committee. Dues may vary according to the shared utility taxes received by each county, and minimum and maximum amounts of dues may be set.

If any member shall be in arrears in payment of dues for three months after they are due and payable, the member shall be deemed delinquent and shall be dropped from the membership. Such member may be reinstated by the payment of dues.

ARTICLE 3 – MEETINGS

There shall be an annual meeting during the month of May unless otherwise ordered by the Executive Committee for the purpose of electing officers, receiving a report from the Auditing Committee and transacting such other business as may come before the Association. Notice of these meetings shall be communicated to each member at least ten days before the time appointed for the meeting or sent electronically at least 10 days before the meeting.

Other meetings shall be held at such time and place as determined by the membership or by the Executive Committee.

Six members of this Association, when present at any meeting, shall constitute a quorum. In case there is less than this number, the presiding officer may adjourn from time to time until a quorum is present.

ARTICLE 4 – VOTING

Each member county shall be entitled to one vote on questions coming before the Association. *Each vote shall be cast by the person designated to represent his county or that person's representative.*

It shall not be necessary that the person designated to vote, or his representative, be a member of the County Board of the County he represents; but such person shall be authorized by such County Board to cast such vote.

ARTICLE 5 – OFFICERS

The elected officers of this Association shall be President, Vice President, Secretary and Treasurer. Their duties shall be as follows:

<u>President</u> – The President shall be the Chief Executive Officer of the Association and shall preside at all meetings of the general membership.

<u>Vice President</u> – The Vice President shall act in place of the President in his absence or in the event of his inability to act.

<u>Secretary</u> – The Secretary shall certify such corporate papers as require certification, and shall perform such other duties as may be assigned by the President.

<u>Treasurer</u> – The Treasurer shall be the custodian of the funds of the Association and shall receive and disperse the same. The Treasurer shall keep, or cause to have kept, a full and true account of all receipts and disbursements, and shall render a statement to the membership at each regular meeting.

ARTICLE 6 – EXECUTIVE DIRECTOR

An Executive Director may be hired by the Association. The Executive Director shall have no vote, but shall perform the following duties:

- Record the minutes of the meeting of the membership and the Executive Committee.
- Keep all records of the Association.
- At the direction of the Treasurer, keep a full and true account of all receipts and disbursements.
- Consult with the President and the Executive Committee as to plans for future meetings and the general business of the Association.
- Perform such other duties as the Association shall direct.

ARTICLE 7 – EXECUTIVE COMMITTEE

There shall be an Executive Committee consisting of no less than five voting members elected at each annual meeting, each from a different county. The four officially on the Executive Committee shall be the President, Vice President, Secretary, and Treasurer. A fifth member shall be elected at the annual meeting. Officers of the Association shall be ex officio members of the committee, unless separately elected as voting members.

A majority of the elected members of the Executive Committee shall constitute a quorum at its meetings. The committee shall meet at such times and places as it deems necessary when it is convenient to call a meeting of the full membership.

The Executive Committee shall have the power to act on all matters which would normally come before a regular meeting of the full membership, subject to ratification at the next regular meeting of the membership.

ARTICLE 8 – AUDIT COMMITTEE

Annually, prior to the annual meeting, the President shall designate an Audit Committee of three persons. The Audit Committee shall examine the books and records of the Association since the last previous audit and submit its report at the annual meeting.

ARTICLE 9 – SEAL

The Association shall have no seal.

Notice of any proposed amendment to the bylaws shall be communicated to the members at least ten days before the time appointed for the meeting.

Change approved April 13, 2007.

Proposed changes per BOD meeting Sept 8, 2017 to be shared with full membership at its next board meeting, December 8, 2017.

Legislative Fiscal Bureau

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State of Wisconsin

January 26, 2021

Senator Howard Marklein, Senate Chair
Representative Mark Born, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Marklein and Representative Born:

Annually, this office prepares general fund revenue and expenditure projections for the Legislature.

In odd-numbered years, our report includes estimated revenues and expenditures for the current fiscal year and tax collection projections for each year of the next biennium. This report presents the conclusions of our analysis.

Comparison with the Administration's November 20, 2020, Report

On November 20, 2020, the Departments of Administration and Revenue submitted a report to the Governor and Legislature that identified general fund revenue and expenditure projections for the 2020-21 fiscal year and the 2021-23 biennium. That report, required by statute, identifies the magnitude of state agency biennial budget requests and presents a projection of general fund tax collections.

Our analysis indicates that for the three-year period, aggregate general fund tax collections will be $1,155.9 million higher than those of the November 20 report ($437.4 million in 2020-21, $265.6 million in 2021-22, and $452.9 million in 2022-23).

Based upon the November 20 report, the administration's general fund condition statement for 2020-21 reflects a gross ending balance of $1,221.9 million and a net balance (after consideration of the $85.0 million required statutory balance) of $1,136.9 million.

Our analysis indicates a gross balance of $1,851.4 million and a net balance of $1,766.4 million. This is $629.5 million above that of the November 20 report. The 2020-21 general fund condition statement is shown in Table 1.

TABLE 1

Estimated 2020-21 General Fund Condition Statement

	2020-21
Revenues	
Opening Balance, July 1	$1,172,354,000
Taxes	18,101,500,000
Departmental Revenues	
Tribal Gaming	0
Other	530,329,300
Total Available	$19,804,183,300
Appropriations, Transfers, and Reserves	
Gross Appropriations	$19,190,025,700
Biennial Appropriation Adjustment	-3,406,000
Sum Sufficient Reestimates	-257,517,500
Transfers to:	
Transportation Fund	44,095,000
Budget Stabilization Fund	231,756,000
Compensation Reserves	94,545,400
Less Lapses	-1,346,695,400
Net Appropriations	$17,952,803,200
Balances	
Gross Balance	$1,851,380,100
Less Required Statutory Balance	-85,000,000
Net Balance, June 30	$1,766,380,100

The factors that make up the $629.5 million difference are as follows. First, based on economic forecasts and tax collections to date, our estimated tax collections for 2020-21 are $437.4 million higher than the projection of the November 20 report. In addition to the estimated increase in tax collections, there is a slight increase in departmental revenues (non-tax receipts deposited into the general fund) of $1.4 million. Finally, net appropriations are projected to be $190.7 million below those of the November 20 report. The additional general fund balance of $629.5 million for 2020-21 is displayed as follows ($437.4 million + $1.4 million + $190.7 million = $629.5 million).

This reduction in net appropriations is primarily due to an increase in the amounts expected to lapse (revert) to the general fund at the end of the 2020-21 fiscal year, offset by a significant projected transfer to the budget stabilization fund.

The GPR appropriation for the medical assistance program is projected to end the 2019-21 biennium with a balance of $685 million. This surplus, accumulated over both years of the biennium, is primarily attributable to a provision of the federal Families First Coronavirus Response Act, which temporarily increased the state's federal matching rate by 6.2 percentage points, from 59.4% to 65.6%. Since this increase has the effect of reducing the state's share of MA benefit costs, the GPR funding budgeted for MA benefits for the 2019-21 biennium exceeds the amount needed for the program. The increased match rate first applied to expenditures occurring on January 1, 2020, and will remain in effect until the end of the calendar quarter during which the federal public health emergency declared in response to the COVID-19 pandemic is allowed to expire. The estimate above assumes that the enhanced matching rate will remain in effect through at least the end of the 201921 biennium.

Of the projected surplus, the Department of Administration has indicated that $140 million is included in the general fund lapses already identified in the administration's required 2020-21 lapse plan. Consequently, of the estimated $685 million MA program surplus, the remaining $545 million will also lapse to the general fund. The November 20 report assumed a lapse of $289 million from the MA benefits appropriation.

Pursuant to s. 16.518 of the statutes, if actual general fund tax collections in any year exceed amounts listed in the biennial budget act, one-half of the additional amount is transferred to the budget stabilization fund. The estimated 2020-21 tax collections of this report are $463.5 million above the amount contained in 2019 Act 9 (the 2019-21 biennial budget). Thus, one-half of that amount ($231.8 million) is projected to transfer to the budget stabilization fund. Under the 2020-21 tax collection estimates of the November 20 report, the transfer to the budget stabilization fund for 2020-21 was projected at $13.1 million.

Table 2 displays the calculation of the projected 2021 transfer to the budget stabilization fund.

TABLE 2

2021 Estimated Transfer to the Budget Stabilization Fund (in Millions)

Estimated 2020-21 Tax Collections	$18,101.5
2020-21 Amount Shown in 2019 Act 9	-17,638.0
Difference	$463.5
Difference ÷ 2	231.8
Estimated 2020-21 Transfer to the Budget Stabilization Fund	$231.8

Currently, the balance in the budget stabilization fund is $762.1 million. With the estimated 2021 transfer shown above, the balance in the fund would increase by $231.8 million to $993.9 million.

General Fund Tax Revenues

The following sections present information related to general fund tax revenues for 2020-21 and the 2021-23 biennium. This includes a review of the U.S. economy in 2020, a summary of the national economic forecast for 2021 through 2023, and detailed general fund tax revenue estimates for the current fiscal year and the next biennium.

Review of the National Economy in 2020

This office prepared updated revenue estimates for the 2019-21 biennium in January, 2020, based on the January, 2020, IHS Markit forecast for the U.S. economy. The forecast predicted real gross domestic product (GDP) growth of 2.1% in 2020 and 2021. The moderate growth forecast was expected to be driven by consumer spending and nonresidential fixed investment, bolstered by strong labor markets, increased spending for hiring on the 2020 decennial census, increased automobile production following the end of a strike at the General Motors Company, and the expectation that Boeing 737 MAX shipments would resume in April of 2021.

The forecast was based on various key assumptions, which included that the Federal Reserve would maintain the federal funds rate until raising it to a range of 1.75% to 2.0% in June, 2021, and that federal discretionary spending would remain within expenditure limits set by federal appropriation acts in 2019.

However, the onset of the global COVID-19 pandemic substantially altered the economic outlook. The federal government declared a national emergency in March, and states across the country shut down certain businesses deemed nonessential and issued stay-at-home orders to slow the spread of the virus. As state and local governments mandated social distancing measures, the pandemic closed businesses, disrupted supply chains, and sharply contracted consumer demand. The longest economic expansion in U.S. history, 128 straight months of growth, came to a sudden end in March.

The COVID-19 pandemic caused a historic contraction in economic activity across all sectors of the economy. Real (inflation adjusted) GDP declined year-over-year by 9.0% in the second quarter, the largest quarterly decrease since the U.S. Bureau of Economic Analysis began keeping records in 1947. The stock market experienced significant declines in March. For example, the Dow Jones Industrial Average index fell by 13.7% in March and by 23.3% in the first quarter, including the three largest single-day point drops in the history of the index (7.8% on March 9, 10.0% on March 12, and 13.0% on March 16). The contraction was caused by sudden, massive declines in employment, consumer spending, and investment.

Unemployment insurance claims spiked to historically high levels, with initial claims setting an all-time high of 6.87 million in the week ending March 28, 2020. In the second quarter of 2020 compared to the first quarter, seasonally adjusted total U.S. nonfarm payrolls sharply fell by 18.2 million workers, and the unemployment rate increased from 3.8% to 13.0%. According to the

Bureau of Labor Statistics' quarterly census of employment and wages, Wisconsin employment decreased by almost 350,000 jobs in April alone. The leisure and hospitality industry was particularly hard hit, losing more than 160,000 jobs. Initial unemployment claims in Wisconsin surged to more than 215,000 in the two weeks ending March 28, 2020, and April 4, 2020.

The pandemic significantly reduced consumer spending, as well as reshuffled consumption patterns, as consumers shunned large gatherings and services provided in person. Factories temporarily closed, employers laid off or furloughed their employees, and employees shifted to remote work rather than commuting to the office. Nominal growth, which is not adjusted for inflation, of U.S. personal consumption expenditures (PCE) declined year-over-year in the second quarter by 9.7% compared to the second quarter of 2019. Notable year-over-year declines included spending on recreational services (-50.0%) and food services and accommodations (-38.3%), which were greatly impacted by business closures and social distancing measures. Consumption at home increased in other areas, with purchases of food and beverages for off-premise consumption and information processing equipment increasing by 11.1% and 9.2%, respectively, compared to the second quarter of 2019.

Nominal nonresidential fixed investment declined by 8.5% year-over-year in the second quarter, with notable declines in investment in equipment (-15.0%) and structures (-10.1%). In particular, investment in mining and petroleum structures declined by 45.3%, the Brent crude oil spot price fell by 57.4% year-over-year in the second quarter, and both supply and demand factors pushed down oil prices. Crude oil prices declined almost 26% on March 9, after the Organization of Petroleum Exporting Countries (OPEC) and Russia failed to agree to production cuts. Subsequently, both Saudi Arabia and Russia announced further increases in production. The parties later agreed to reductions in production in April, after the pandemic had significantly curtailed demand. Nominal PCE declined in the second quarter for motor fuel, lubricants, and fluids (47.0%) and new motor vehicles (10.4%). According to the U.S. Energy Information Administration, the Brent spot price declined to an average of $18 per barrel in April, the lowest price in inflation adjusted terms since February, 1999.

The shock of the COVID-19 pandemic caused the largest consumer price decline since 2008, with the consumer price index (CPI) decreasing 3.5% on an annualized basis in the second quarter. According to the U.S. Bureau of Labor Statistics, the one-month drop in CPI in April was particularly acute in services adversely affected by social distancing measures, such as airline fares falling 12.4% and lodging decreasing 7.1%. In the second quarter, CPI for energy fell at an annualized rate of 45%, both due to a sharp fall in demand caused by the pandemic and to a preexisting excess of supply.

The fiscal and monetary policy response to the pandemic and resulting economic contraction was massive. The Federal Reserve open market committee convened on March 15, 2020, to reduce the federal funds target rate to a range of 0.00 to 0.25%. It also accelerated purchases of treasury securities and agency mortgage-backed securities (quantitative easing), expanded foreign exchange swap lines with more than a dozen central banks, and expanded short-term repurchase operations. Congress enacted a series of stimulus and pandemic response legislation. On March 18, Congress passed the Families First Coronavirus Response Act, which provided $105 billion for extended sick leave and family medical leave related to COVID-19. On March 27, President

Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES). As estimated by the Joint Committee on Taxation and IHS Markit, this Act included $260 billion for enhanced unemployment benefits, almost $1.0 trillion for loans (including forgivable loans), loan guarantees, and other business supports, $292 billion for stimulus rebates to individuals, $180 billion for hospitals and healthcare, $300 billion for reduced or delayed taxes, and $150 billion for state and local governments. Also, Congress enacted the Paycheck Protection Program and Health Care Enhancement Act on April 24, which provided an additional $370 billion for business loans and another $100 billion for aid to healthcare providers and COVID-19 testing. In total, federal government outlays in 2020 increased by $2,105.3 billion, or 47.3% compared to the prior year.

Due in part to the scale of the fiscal and monetary policy response and to the relaxation of business closures and social distancing mandates, the economy rebounded significantly in May and June, but not by enough to fully recover from the declines occurring in March and April. Annualized real GDP grew by 33.4% in the third quarter over the previous quarter, but when compared to the third quarter output of the prior year, GDP actually declined by 2.8%. U.S. total nonfarm payrolls rebounded by 7.1 million as laid off workers were recalled by their employers. However, even with this brisk growth, payrolls remained 6.9% lower when compared to the third quarter of 2019. Boosted partially by the temporary hiring of 238,000 workers for the 2020 census, the unemployment rate declined from 13.0% in the second quarter to 8.8% in the third quarter. Investment continued to remain below prior year levels by 1.9% in the third quarter, although investment in some sectors rebounded. While nonresidential fixed investment was 4.1% below prior year levels, residential fixed investment grew by 11.2% year-over-year, supported by a decrease in average 30-year fixed mortgage rates to 2.95% in the third quarter of 2020.

The COVID-19 pandemic had highly uneven impacts across industry sectors as consumers shifted their spending away from in-person services and travel towards goods and preparing food at home. Social distancing measures throughout 2020 continued to reduce the demand for, and availability of, in-person services, such as recreational services, accommodations, and food services (which declined by 32.6%, 56.0%, and 11.4%, respectively, year-over-year in the third quarter). Travel and entertainment were particularly disadvantaged by containment measures since restrictions on movement and group size are problematic for those industries. Production of durable goods, on the other hand, was not similarly impacted and recovered from an annualized decline of 57.5% in the second quarter to an annualized increase of 101.3% in the third quarter after the COVID-19 lockdowns were relaxed. Nominal PCE of durable goods increased by 12.9% year-overyear in the third quarter, with spending on new motor vehicles increasing by 6.9%.

Federal stimulus increased household income and savings, notwithstanding the severe economic disruption caused by the pandemic. Bolstered by stimulus rebates, enhanced unemployment benefits, business support programs, and other transfer payments, real disposable income grew by an unprecedented 12.2% year-over-year in the second quarter. Although real disposable income declined at an annualized rate of 16.3% in the third quarter, as the stimulus waned compared to the second quarter, real disposable income actually increased by 6.8% relative to the same period in the prior year and is estimated to have increased 6.0% year-over-year in 2020. The savings rate as a percentage of disposable income increased from an average of 7.6% during 2019 to 26.0% in the second quarter of 2020 and 16.0% in the third quarter. Households were also bolstered by the recovery in the stock markets, which recovered significantly from sharp losses earlier in the year.

The S&P 500 stock index, for example, increased 12.3% year-over-year in the third quarter. Thus, real household net worth in 2020 increased 9.9%, bolstered by growth in nonfinancial assets (7.1%) such as real estate, and equity holdings (19.5%).

The COVID-19 pandemic surged in the latter half of 2020, sapping the economic recovery as the year went on. According to the COVID-19 data tracker maintained by the Centers for Disease Control and Prevention, although new COVID-19 cases leveled off after May to less than 20,000 cases per day nationwide in early June, new cases began increasing again to more than 70,000 cases per day by late July. As COVID-19 cases increased, many states called-off plans to lessen containment measures and some re-imposed restrictions on schools and business activity. Daily COVID-19 cases leveled off around 40,000 new cases each day in September, but spiked much higher at the end of October. New cases reached more than 180,000 per day in November, rising even higher to almost 250,000 in some days in December. By the end of December, nearly 350,000 Americans had died of COVID-19 and the seven-day moving average of deaths per day exceeded 2,300 (growing to 416,000 total deaths, and a seven day average of more than 3,000 per day as of January 23, 2020).

Meanwhile, federal stimulus measures expired during the summer, such as the enhanced $600 unemployment compensation benefit expiring in July and the paycheck protection program (PPP) ceasing operations in August. As a result, the recovery began to stall short of pre-pandemic highs and the COVID-19 pandemic worsened across the country. Real GDP decreased by 2.7% in the fourth quarter of 2020 compared to the same period in 2019. When considering the entire fourth quarter, the unemployment rate improved to 6.8% as total nonfarm payrolls increased by 1.8 million. However, when compared to the same period in 2019, total nonfarm payrolls are estimated to have declined 6.9%. Personal income declined by 10.2% in the third quarter and 7.2% in the fourth quarter on an annualized basis as the effects of the stimulus faded. Nonetheless, personal incomes remained elevated in the fourth quarter when compared to the prior year (4.2%) due to the continuing effects of federal stimulus measures, such as extended availability of unemployment insurance.

As COVID-19 cases surged significantly in December, total nonfarm payrolls are estimated to have decreased by approximately 140,000, which is the first time payrolls decreased since the recovery began. Food service and drinking establishments were particularly hard hit with job losses exceeding 372,000 in that month alone. A particular concern is that the length of the pandemic has increased the long-term unemployed (defined as unemployed for 27 weeks or more) to such an extent that more than 37% of all the unemployed are now so labeled. In December, the long-term unemployed increased by 27,000 to 4.0 million, the largest amount recorded since November, 2013. Such persons may find it more challenging to find another job, thereby slowing the recovery.

Two recent developments will greatly impact the economy going forward. First, the federal Food and Drug Administration issued emergency use authorizations for multiple vaccines for COVID-19. Vaccinations began to be administered in December, and will continue to be distributed nationwide throughout 2021. Second, President Trump signed the Consolidated Appropriations Act of 2021 (CAA) on December 27, which provides for additional stimulus of approximately $900 billion. This includes: (a) $325 billion for small business relief, including $284 billion for another round of forgivable PPP loans; (b) $166 billion of stimulus rebates for persons with adjusted gross income below $75,000 ($150,000 for married couples); (c) $120 billion for the extension of unemployment compensation programs that are now scheduled to phase out after March 14, 2021; (d) $125 billion to states for education, transportation, and COVID-19 mitigation; and (e) the remaining amounts support a number of federal programs, including community development lending programs, vaccine distribution and procurement, rental assistance, enhanced SNAP benefits, additional childcare funding, and additional funding for broadband, as well as a number of tax law changes included in the CAA.

National Economic Forecast

Under the January, 2021, forecast, IHS Markit predicts real GDP growth to rebound strongly to 4.0% in 2021 and 3.9% in 2022. The forecast is bolstered by CAA stimulus spending in the short term and the inoculation campaign, which allows for relaxed social distancing measures and releases pent-up demand for in-person services. IHS Markit expects a transition of PCE on services to return to a pre-pandemic trend in 2023, with such spending growing significantly over the second half of 2021.

The forecast is based on the following key assumptions. First, the seven-day average of COVID-19 infections peaks in January and falls significantly, as widespread inoculation of the population is achieved by the summer. Second, the forecast incorporates stimulus spending from the CAA, but does not include further federal stimulus in its January forecast. Third, the Federal Reserve is expected to maintain the federal funds rate target near 0% until late 2026, while expanding its treasury holdings to another $1.4 trillion. Fourth, it is assumed that the tariffs and trade agreements made between the U.S. and China remain in effect. Fifth, real, trade-weighted foreign GDP is expected to rebound, after declining by 5.7% in 2020, to growing by 4.4% in 2021, as the COVID19 pandemic recedes. Finally, the price of Brent crude oil will gradually recover from a low of $29 per barrel in the second quarter of 2020 to $50 per barrel by late 2021.

The forecast is summarized in Table 3, which reflects IHS Markit's January, 2021, baseline outlook. Selected baseline projections are presented in more detail below, with alternative optimistic and pessimistic scenarios discussed thereafter.

Employment. Given the continuing challenges faced by in-person services, the employment outlook remains linked to COVID-19 caseloads and the rollout of vaccines. The employment market at the end of 2020 continued the pattern from earlier in that year, such that in-person services where social distancing is difficult to implement (such as recreation, casinos, and amusement), are hardest hit by the pandemic. Other sectors where such restrictions pose less of a challenge (such as construction and manufacturing) continue to rebound.

Notwithstanding the difficulties at the end of 2020, IHS Markit forecasts that the federal stimulus and a successful inoculation campaign will cause payroll employment to increase beginning in January and through the second half of 2021. The unemployment rate is forecast to generally decline over 2021, falling from 6.7% in December of 2020 to 4.3% by the end of 2021. Afterwards, the unemployment rate is forecast to continue improving to 3.9% in 2022, before stabilizing at 4.1% in 2023.

Personal Income. Despite the enormous job losses and disruption to the economy caused by the COVID-19 pandemic, income and savings in 2020 actually increased due to the large amount of transfer payments and government support from CARES and other stimulus measures. IHS Markit expects the $900 billion stimulus enacted under the CAA to similarly support personal income in the economy in the first quarter of 2021, lifting incomes by nearly $2.0 trillion (at an annualized rate). IHS Markit forecasts that real disposable income will grow by 23.9% in the first quarter (compared to the previous quarter), but then decline by 17.5%, 2.6%, and 0.5% in the remaining quarters of 2021 as the effects of the stimulus fade. Meanwhile, wage and salary disbursements are forecast to recover from 0.6% growth in 2020 to 6.3% in 2021. As a result, IHS Markit forecasts that overall personal income will grow by 1.6% in 2021, 2.0% in 2022, and by 4.2% in 2023.

TABLE 3 Summary of National Economic Indicators IHS Markit Baseline Forecast, January, 2021 ($ in Billions)

	2020	2021	2022	2023
Nominal Gross Domestic Product	$20,921.3	$22,117.3	$23,415.5	$24,489.7
Percent Change	-2.4%	5.7%	5.9%	4.6%
Real Gross Domestic Product	$18,411.1	$19,151.2	$19,907.0	$20,405.0
Percent Change	-3.6%	4.0%	3.9%	2.5%
Consumer Prices (Percent Change)	1.3%	2.1%	2.5%	2.1%
Personal Income	$19,718.0	$20,039.2	$20,431.9	$21,294.6
Percent Change	6.3%	1.6%	2.0%	4.2%
Nominal Personal Consumption Expenditures	$14,141.3	$15,003.8	$15,921.1	$16,599.0
Percent Change	-2.8%	6.1%	6.1%	4.3%
Economic Profits	$2,045.1	$2,016.7	$2,013.5	$2,166.2
Percent Change	-9.1%	-1.4%	-0.2%	7.6%
Unemployment Rate	8.1%	5.2%	3.9%	4.1%
Total Nonfarm Payrolls (Millions)	142.3	146.5	151.4	152.5
Percent Change	-5.8%	3.0%	3.3%	0.8%
Light Vehicle Sales (Millions of Units)	14.39	15.95	16.09	16.14
Percent Change	-15.1%	10.8%	0.9%	0.3%
Sales of New and Existing Homes (Millions of Units)	6.443	6.996	6.702	6.273

Percent Change	7.1%	8.6%	-4.2%	-6.4%
Housing Starts (Millions of Units)	1.383	1.493	1.298	1.202
Percent Change	6.8%	7.9%	-13.0%	-7.4%

Personal Consumption Expenditures. IHS Markit forecasts that the stimulus will maintain nominal PCE in the near term, by supporting consumer spending in the first quarter (0.2%) notwithstanding the surge in COVID-19 cases, then later serving as a bridge to improved economic circumstances as the population is inoculated through the rest of the year. Distribution of the vaccines is expected to release pent up demand for consumer services in the second half of 2021, when spending on services other than healthcare, housing, and utilities is expected to jump by 12.6%. By comparison, as spending patterns return to their pre-pandemic trends, spending on goods is expected to grow more slowly as consumers return to spending on services. For example, spending at restaurants is expected to grow, whereas purchases for eating at home are expected to decline. Overall, nominal PCE is forecast to grow 6.1% in 2021 and 2022, before slowing to 4.3% in 2023.

Consumer Prices. Following a decline in the second quarter (-3.5%), consumer prices rebounded in the third (5.2%) and fourth (2.2%) quarters of 2020 as the economy recovered. However, IHS Markit forecasts prices to be temporarily depressed in the first (1.8%) and second (1.7%) quarters of 2021 by the pandemic, as the slack in the labor market is expected to depress cost pressures on employers. Over the next three years, inflation is expected to increase by 2.1% in 2021, 2.5% in 2022, and 2.1% in 2023. This is due primarily to two factors. First, IHS Markit is forecasting that the U.S. dollar will depreciate 7.9% by the end of 2022, thereby increasing the costs of imports and, by extension, the pricing power of import competing domestic producers. Also, energy prices are expected to rebound as the price of West Texas Intermediate crude oil rises from $42.51 per barrel in the fourth quarter of 2020 to $53.47 by the end of 2022.

IHS Markit forecasts that CPI will remain above 2.0% over the next several years, in part, because the Federal Reserve has altered its approach to evaluating its dual mandate of full employment and stable inflation. Given the low inflation and low unemployment rates in 2019, recent evidence supports that higher amounts of employment than previously assumed can be attained without sustained increases in inflation. Thus, the Federal Reserve is expected to maintain its 2% inflation target as an average, rather than a ceiling, whereby inflation may temporarily grow beyond 2.0% without the Federal Reserve raising interest rates. This revised approach may provide room for recovery in the labor market without incurring market expectations of increasing inflation in the long term.

Housing. The pandemic briefly disrupted the housing market in the second quarter of 2020, with housing starts declining 14.1% year-over-year. However, the housing market quickly rebounded, fueled by record low mortgage rates of 2.77% on a conventional 30-year fixed mortgage by the fourth quarter of 2020. Housing starts grew by 6.8% in 2020, with starts for single-family units growing 10.7%, partly offset by a decline in multi-family housing starts of 1.8%. Overall, residential fixed investment grew 9.3% in 2020.

IHS Markit forecasts some of the strength in the housing market to carry over into 2021, with residential fixed investment growing 13.1% in 2021, housing starts growing by 7.9%, and the price of average existing houses growing by 9.0% for a 1996-style home. However, IHS Markit projects that housing starts will decline in 2022 and 2023 by 13.0% and 7.4%, respectively, based on projected decreases in household formation. Sales of new houses are projected to decrease by 0.9% in 2021, 9.7% in 2022, and 6.7% in 2023.

Business Investment. Growth in nonresidential fixed investment is expected to rebound after declining by 3.8% in 2020 to 7.5% in 2021, 6.9% in 2022, and 5.4% in 2023. The anticipated growth is supported by investment in equipment (13.2% in 2021 and 5.9% in 2022 before tapering off to 2.8% in 2023). Growth is bolstered by the return to service of Boeing's 737 MAX line of aircraft in December of 2020 and the anticipated fulfillment of deliveries going forward. The recovery in energy prices is anticipated to boost investment in mining and petroleum structures in the second half of 2021, growing by 22.4% in 2022 and 10.4% in 2023 (following declines of 41.3% in 2020 and 4.4% in 2021).

Inventories fell by $71.9 billion in 2020, which detracted 0.58 percentage points from GDP growth. This is partly due to supply disruptions caused by the pandemic in the second quarter, when inventories were drawn down as manufacturers were temporarily closed and businesses were reluctant to rebuild inventories during the downturn. IHS Markit expects businesses to rebuild inventories roughly at the rate of final sales in the near term, increasing by $96.9 billion in 2021, $127.1 billion in 2022, and $100.5 billion in 2023. IHS Markit expects inventory investment to contribute 0.82 percentage points to GDP growth in 2021, 0.12 percentage points in 2022, and to reduce GDP growth by 0.12 percentage points in 2023.

Corporate Profits. Corporate before-tax book profits decreased by 7.2% in 2020 and are forecast to increase by 0.6% in 2021, 0.1% in 2022, and 10.2% in 2023. Economic profits, which are adjusted for inventory valuation and capital consumption at current cost (and thus are not affected by federal tax laws), declined 9.1% in 2020. IHS Markit forecasts further declines of 1.4% in 2021 and 0.2% in 2022, before rebounding 7.6% in 2023. The 2021 forecast assumes that the effective federal corporate tax rate for all industries was 13.3% in 2020, and that it will increase to 14.1% in 2021, 14.5% in 2022, and 14.1% in 2023.

Fiscal Policy. According to the final monthly Treasury statement for federal fiscal year 201920, the federal deficit was $3.1 trillion. This was due to the significant increase in the amount of stimulus spending, including amounts authorized under CARES. IHS Markit estimates that spending by the federal government accounted for 0.27 percentage points of GDP growth in 2020, but will contribute only 0.11 percentage points in 2021 and will detract 0.13 percentage points in 2022 as the effects of the stimulus fade. By contrast, state and local government spending is estimated to have reduced GDP growth by 0.11 percentage points in 2020 due to spending cuts as a result of declining tax revenues during the pandemic.

The forecast assumes continued stimulus programs under the CAA, with more than half of the stimulus disbursing in the first quarter of 2021. The Biden administration recently released a $1.9 trillion COVID-19 relief plan, which would indicate that further stimulus measures may be forthcoming. However, additional federal stimulus is not included in IHS Markit's baseline forecast.

Monetary Policy. The Federal Reserve indicated in an open market committee statement issued December 16, 2020, that the federal funds rate would remain near 0% until labor market conditions are consistent with maximum employment and inflation has risen to 2%, and is on track to exceed 2%, for some time. Further, it stated that it would continue purchasing Treasury securities and agency mortgage-backed securities at an average rate of $120 billion per month until substantial progress had been made towards its employment and inflation goals.

As discussed, mortgage rates fell to a historic low in 2020. For comparison, the average annual yield on the 10-year U.S. Treasury note fell to 0.89% in 2020, briefly falling to an all-time low of 0.318% in early March. The yield is expected to remain low, at 1.09% in 2020, 1.26% in 2022, and 1.42% in 2023.

International Trade. Real exports and imports rose sharply in the third quarter of 2020 (annualized growth of 59.6% and 93.1%, respectively) after sharply contracting in the second quarter. Imports have rebounded more strongly than exports, reflecting recovery in domestic demand relative to foreign markets. Also, the dollar exchange rate of a broad index of trade partners appreciated 5.9% year-over-year in the second quarter, reflecting a fall in value of emerging market currencies. Since then the dollar declined somewhat, ending the year up 2.0%. IHS Markit forecasts that the dollar will fall by 7.0% in 2021, 3.7% in 2022, and 0.5% in 2023 due to the expectation that interest rates in the U.S. will remain low for an extended period of time (low interest rates tend to reduce the exchange rate as investors look elsewhere for growth).

Overall, net exports reduced GDP growth by 0.12 percentage points in 2020 and are forecast to reduce GDP by 1.04 percentage points in 2021. Afterwards, net exports are forecast to contribute 0.54 percentage points to GDP growth in 2022 and 0.69 percentage points in 2023, because growth in exports is anticipated to outpace growth in imports as economic conditions improve in foreign markets.

Alternative Scenarios. IHS Markit's 2021 forecast also includes an optimistic scenario and a pessimistic scenario. Under the optimistic scenario, IHS Markit assigns a 20% probability that a faster recovery results from a decline in COVID-19 cases, hospitalizations, and deaths as use of the vaccine and observance of social distancing guidelines become more widespread. As the pandemic declines, consumers resume their pre-pandemic spending patterns quicker than assumed under the baseline forecast. Further, under the optimistic scenario, consumer spending and business fixed investment rise more quickly in the fourth quarter of 2020 than previously estimated, improving economic conditions coming into 2021. The unemployment rate improves to below 4.5% by the middle of 2021. Real GDP rebounds 5.3% in 2021 and 3.9% in 2022, crossing the pre-pandemic peak in the second quarter of 2021.

Under the pessimistic scenario, to which IHS Markit assigns a 30% probability, containment measures are reintroduced to combat the surge in COVID-19 that is currently occurring. The surge in the pandemic causes consumer spending to fall below the baseline over the next several quarters, growing by only 3.4% in 2021 and 3.6% in 2022, thereby restraining the economic recovery. The unemployment rate continues to decline, but at a slower pace, not falling below 5% until early 2022. Overall, the recovery takes longer than forecast in the baseline, as real GDP grows by 3.0% in 2021 and 3.9% in 2022.

On January 14, 2020, the Biden administration proposed a $1.9 trillion stimulus plan, including additional stimulus rebates of $1,400 for most individuals, expanded unemployment benefits of $400 per week through September, expanding the federal child tax credit, and providing increased funding for state and local governments, K-12 schools, and institutions of higher education. It should be noted that IHS Markit's January forecast preceded this proposal, and neither the baseline scenario, optimistic scenario, nor the pessimistic scenario anticipated any additional federal stimulus being enacted in the next several months.

General Fund Taxes

Table 4 shows general fund tax revenue estimates for 2020-21 and for each year of the 202123 biennium. Over the three-year period, these estimates are $1,155.9 million (2.1%) higher than the projections released by the Department of Revenue (DOR) last November. By year, the new estimates are higher than DOR's projections by $437.4 million in 2020-21, $265.6 million in 202122, and $452.9 million in 2022-23. Over the three-year period, compared to the November 20 report, the estimates are higher for corporate income/franchise taxes ($547.6 million), sales and use taxes ($421.5 million), and individual income taxes ($210.8 million).

TABLE 4

Projected General Fund Tax Collections
($ in Millions)

	2019-21 Biennium		2021-23 Biennium	
	2019-20 Actual	2020-21 Estimated	2021-22 Estimated	2022-23 Estimated
Individual Income	$8,742.3	$8,640.0	$8,900.0	$9,340.0
Sales and Use	5,836.2	5,915.0	6,310.0	6,595.0
Corporate Income/Franchise	1,607.9	2,205.0	1,730.0	1,835.0
Public Utility	357.2	352.0	359.0	361.0
Excise				
Cigarette	523.5	507.0	494.0	483.0
Tobacco Products	91.3	90.0	92.0	96.0
Vapor Products	1.3	1.3	1.7	2.0
Liquor and Wine	54.8	60.0	57.0	58.0
Beer	8.5	9.2	8.7	8.7
Insurance Company	217.4	211.0	218.0	226.0
Miscellaneous Taxes	91.8	111.0	112.0	111.0
Total	$17,532.2	$18,101.5	$18,282.4	$19,115.7
Change from Prior Year		$569.3	$180.9	$833.3
Percent Change		3.2%	1.0%	4.6%

The increased estimates for 2020-21 are primarily due to: (a) improved tax collections through December, specifically corporate tax receipts; and (b) an improved near-term forecast from IHS Markit. For November and December, corporate tax collections are $232 million (68%) higher compared to collections in the same two months in 2019. Compared to the November forecast (the basis of the administration's November 20 report), IHS Markit incorporates the impact of the recently enacted CAA (previously no federal stimulus was included in the forecast), and an improved nearterm outlook for economic growth as the COVID-19 inoculation campaign is already under way (previously assumed vaccines would first become available in mid-2021). As a result, Markit has revised its January forecast for 2021 higher for real GDP (0.6 percentage points), personal income (3.0 percentage points), PCE (0.6 percentage points), and economic profits (11.1 percentage points), compared to its November forecast. Similarly, the January forecast assumes improved economic activity for 2022 and 2023, compared to the November forecast.

Individual Income. Total individual income tax collections are estimated at $8,640.0 million in 2020-21, which represents a 1.2% decline in comparable revenues over the prior fiscal year. Estimated individual income tax collections increase to $8,900.0 million in 2021-22, and again to $9,340.0 million in 2022-23, representing annual growth of 3.0% and 4.9% respectively.

Based on preliminary collections information through December, 2020, individual income tax revenues for the current fiscal year are 0.8% higher than such revenues through the same period in 2019. However, these revenues are expected to decrease at a rate of 1.1% over the next six months, in part due to the pandemic stagnating economic activity in 2020. Much of this stagnation in 2020 will be reflected when individuals file their tax year 2020 returns in April, 2021. For example, individuals whose earnings declined in 2020 following a pandemic-related job loss will likely owe a lesser amount of tax when they file in April, 2021, than in the previous year. As a result, net refunds (total refunds owed to taxpayers less final payments owed by taxpayers) are expected to be larger in 2020-21 relative to 2019-20.

Another factor expected to increase net refunds in April, 2021, is the individual income tax rate reduction under 2019 Act 10, which is based on sales tax revenues collected by remote sellers and marketplace providers during the period October 1, 2019, through September 30, 2020. The rate reduction is designed to offset the amount of additional sales tax collections from these sellers, and splits the amount of the reduction equally between the two bottom individual income tax brackets. The sales tax amount was considerably higher than previously estimated, so the resulting income tax rate reduction for tax year 2020 was larger than anticipated.

Enhanced unemployment compensation payments from the federal government throughout 2020 and into March, 2021, are generally taxable under state law, so the enhanced amounts in 2020 are expected to partly offset the increase in refunds described above. Moreover, during the pandemic, many more taxpayers are choosing to have tax amounts withheld from their unemployment payments than in prior periods. For unemployment payments made in the first half of tax year 2021, this also increases withholding tax collections in state fiscal year 2020-21, to the extent taxpayers elect to have tax amounts withheld from such payments.

Projected annual growth in individual estimated payments in 2020-21 is also expected to avert a sharper decline in individual income tax collections. Early indications of individual estimated payments for January, 2021, (historically one of the largest months for estimated payments) suggest considerable growth over the prior January. This corresponds to the projections from IHS Markit of growth in the relevant economic indicators for the second half of state fiscal year 2020-21.

Finally, annual growth in total individual income tax collections is expected to resume in 2021-22 and in 2022-23, as the economy is projected to rebound from the pandemic. IHS Markit predicts wages and salaries will grow steadily throughout the biennium, beginning in the second quarter of 2021, and expects that taxable personal income will display year-over-year growth in 2021-22 and in 2022-23.

General Sales and Use Tax. State sales and use tax revenues totaled $5,836.2 million in 2019-20, and are estimated at $5,915.0 million in 2020-21. The estimate represents growth of 1.4% over the prior year. Sales tax collections through December, 2020, are 1.3% higher than the same period in 2019. Adjusting for law changes since the January, 2020, estimate, year-to-date growth is approximately 0.1%. The lower estimated annual growth in 2020-21 reflects changes to state and federal law, including the repeal, effective July 1, 2020, of the state's imposition of sales tax on internet access services (estimated at $166 million), pursuant to 2017 Act 59. This reduction is partly offset by additional revenues estimated from the 2019 Act 10 provision that requires marketplace providers to collect and remit sales tax.

Sales tax revenues in the next biennium are estimated at $6,310.0 million in 2021-22 and $6,595.0 million in 2022-23, reflecting growth of 6.7% and 4.5%, respectively. The strong growth in 2021-22 reflects the economic recovery projected by IHS Market's January forecast, as mentioned previously, driven largely by an increase in demand for consumer services as distribution of vaccines becomes more widespread.

Corporate Income/Franchise Tax. Corporate income/franchise taxes were $1,607.9 million in 2019-20, which grew 20.2% above the previous year. Corporate tax revenues are projected to be $2,205.0 million in 2020-21, $1,730.0 million in 2021-22, and $1,835.0 million in 2022-23, reflecting growth of 37.1% in 2020-21, a contraction of 21.5% in 2021-22, and growth of 6.1% in 2022-23. The estimates generally reflect forecasted growth in economic profits (10.6% in 2020-21, -10.0% in 2021-22, and 8.3% in 2022-23) and year-to-date corporate tax collections, which have grown by 64% compared to the same period through December of last year.

Two factors account for the forecasted decline in 2021-22. First, state income and franchise tax filing deadlines for estimated payments and net final payments due in April, May, and June were extended to July 15, 2020. All of these amounts accrued to 2019-20, except that a portion of corporate estimated payments were thrown forward and attributed to state fiscal year 2020-21. Under accounting principles applied by DOR, corporate estimated payments received in July of 2020 that relate to a taxable year ending on or before June 30, 2020, were attributed to state fiscal year 201920. Any estimated payments related to a taxable year ending after that date were thrown forward to 2020-21. DOR received $280 million in corporate estimated payments in July of 2020, which is $243 million more than was received in July of 2019 ($37 million). DOR determined that $97 million was attributed to 2019-20, and the remaining $183 million was thrown forward and attributed to 202021. This compares to July, 2019, estimated payments of $37 million, of which $28 million was thrown forward to the following fiscal year. As a result, collections in 2020-21 are enhanced by a one-time increase of approximately $155 million. Because the thrown forward amount is not expected to reoccur, collections in 2021-22 are not similarly enhanced, and thus decline by $155 million relative to 2020-21.

Second, year-to-date corporate audit payments in 2020-21 are $50.5 million higher compared with the same period through December in 2019-20, which was a very strong year for audit collections. According to DOR, the sharp increase in corporate audit payments reflects economic activity from prior years and is unlikely to repeat. Thus, it is anticipated that audits will decline in 2021-22 relative to 2020-21 by $50.0 million. Together with the thrown forward amounts, collections in 2021-22 are expected to be below the baseline compared to 2020-21 by $205 million, prior to accounting for expected changes in economic activity.

Public Utility Taxes. Revenues from public utility taxes totaled $357.2 million in 2019-20 and are estimated at $352.0 million in 2020-21, $359.0 million in 2021-22, and $361.0 million in 2022-23. Year-over-year, these amounts represent a decrease of 1.5% in 2020-21, an increase of 2.0% in 2021-22, and an increase of 0.6% in 2022-23. Utilities providing electric and natural gas service represent a majority of public utility tax revenues (69% in 2019-20). In response to the COVID-19 pandemic, shifting living and working habits (as well as declining economic activity) have decreased retail sales of electricity to commercial and industrial customers by 6.2% and increased sales to residential customers by 5.1%, for a total decline of 1.8% year-over-year, according to retail electricity sales data reported by Wisconsin utilities through September 30, 2020. Payments by the next largest taxpayer group, telecommunications companies, are expected to decline over the 2021-23 biennium as the exemption enacted under 2019 Act 128 for property providing broadband internet service in rural areas begins to phase in, reducing utility tax collections by an estimated $2.3 million in 2021-22 and $3.6 million in 2022-23. As a result of litigation over assessment methodology, a refund totaling $7.2 million was paid to several utilities in 2020-21. The settlement included a change in methodology that is expected to reduce future year assessed values and resulting tax collections for certain ad valorem taxpayers. Overall, utility tax collections are expected to rebound in 2021-22 and 2022-23 as economic conditions improve.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), other tobacco products, vapor products, and beer. In 2019-20, excise tax collections totaled $679.4 million, of which $523.5 million (77%) was from the excise tax on cigarettes. Total excise tax collections in 2019-20 represented an increase of 2.6% from the prior fiscal year, primarily driven by cigarette and tobacco tax collection increases of 1.8% and 6.8%, respectively. Excise tax revenues are estimated at $667.5 million in 2020-21, which represents decreased revenues of 1.8%. This estimate accounts for a recent federal law that prohibits sales of cigarettes and tobacco products to individuals under the age of 21, which is expected to decrease state excise tax revenues by $10.2 million on an annualized basis beginning in October of 2020. Excise tax revenues over the next biennium are estimated to decline by 2.1% to $653.4 million in 2021-22 and by 0.9% to $647.7 million in 2022-23, driven by an ongoing trend of declining cigarette consumption.

Insurance Premiums Taxes. Insurance premiums taxes were $217.4 million in 2019-20. Revenues are projected to decrease to $211.0 million in 2020-21, and increase to $218.0 million in 2021-22 and $226.0 million in 2022-23. It is anticipated that collections resulting from certain retaliation amendments totaling more than $10 million last Spring may not repeat. Thus, collections in 2020-21 are forecast to decline 2.9%. The estimates are otherwise based on growth in year-to-date insurance premiums tax collections, historic collections growth trends, and projected growth in consumer spending on insurance.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, municipal and circuit court-related fees, and a small amount from the occupational tax on coal. Miscellaneous tax revenues were $91.8 million in 2019-20, of which 84% was generated from the real estate transfer fee. Based on the economic forecast for the housing sector, as well as collections through December, 2020, miscellaneous taxes are projected to increase to $111.0 million in 2020-21, which represents a 20.9% increase from 2019-20 collections. As previously mentioned, this large increase is driven by elevated demand for housing due to low mortgage rates, as well as rising house prices. Housing starts and sales of new and existing houses are projected to decline starting in 2021-22. However, the continued rise in prices of existing houses is expected to slightly offset this decline until 202223. As a result, miscellaneous taxes are estimated to increase by 0.9% to $112.0 million in 2021-22 and decrease by 0.9% to $111.0 million in 2022-23.

This office will continue to monitor state revenues and expenditures and new economic forecasts, and notify you and your colleagues of any further adjustments that may be necessary.

Sincerely,

Bob Lang

Robert Wm. Lang
Director

RWL/lb
cc: Members, Wisconsin Legislature