



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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April 26, 2005

Joint Committee on Finance

Paper #675

### **Shared Revenue Utility Aid -- Funding Level (Shared Revenue and Tax Relief -- Direct Aid Payments)**

[LFB 2005-07 Budget Summary: Page 443, #3]

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#### **CURRENT LAW**

Public utility aid is the only shared revenue component for which aid payments will be distributed in the 2005-07 biennium. Payments under the other shared revenue components have been suspended and superceded by payments under the county and municipal aid program. Public utility aid is comprised of two appropriations.

A new utility aid appropriation was created by 2003 Wisconsin Act 31 and provides funding for payments to counties and municipalities containing light, heat, and power company production plants that begin operations or are substantially reconstructed (repowered) after December 31, 2003. Payments are based on the generating capacity of the plants and consist of a basic payment and incentive payments tied to the plant's location, operating capacity, and energy source. Initial payments under the Act 31 provisions will occur in 2005 (2005-06).

Utility aid provisions that existed prior to Act 31 remain applicable for counties and municipalities containing production plants that began operations before 2004, as well as for light, heat, and power companies' substations and general structures. Payments to counties and municipalities containing those facilities are made from the shared revenue appropriation. Counties and municipalities receive aid equal to the net book value of qualifying utility property multiplied by a rate of nine mills. If the qualifying property is in a city or village, the municipality's payment is calculated at a rate of six mills, and the county receives a payment based on three mills. If the qualifying property is located in a town, the town's payment is calculated at a rate of three mills, and the county receives a payment based on six mills. The value of a utility's property at any single site is limited to \$125 million, and payments are further limited to no more than \$300 per capita for municipalities and \$100 per capita for counties.

Finally, each county and municipality where spent nuclear fuel is stored receives an annual payment of \$50,000.

Utility aid payments are administered by the Department of Revenue.

## GOVERNOR

Estimate utility aid payments of \$2,086,400 GPR in 2005-06 and \$8,214,400 GPR in 2006-07 from the public utility distribution account appropriation to reflect the initial payments under the capacity-based aid and incentive aid allocations created under 2003 Wisconsin Act 31. Increase utility aid payments from the shared revenue account appropriation by \$537,000 GPR in 2005-06 and \$625,000 GPR in 2006-07 to reflect estimated changes in the value of utility-owned property eligible for state aid under the three and six mill distribution formulas. Total aid payments under the latter appropriation are estimated at \$32,412,000 GPR in 2005-06 and \$32,500,000 GPR in 2006-07.

## MODIFICATION

Estimate utility aid payments of \$2,100,000 GPR in 2005-06 and \$6,500,000 GPR in 2006-07 from the public utility distribution account appropriation to reflect the initial payments under the capacity-based aid and incentive aid allocations created under 2003 Wisconsin Act 31. Increase utility aid payments from the shared revenue account appropriation by \$1,125,000 GPR in 2005-06 and \$1,425,000 GPR in 2006-07 to reflect estimated changes in the value of utility-owned property eligible for state aid under the three and six mill distribution formulas. Total aid payments under the latter appropriation are estimated at \$33,000,000 GPR in 2005-06 and \$33,300,000 GPR in 2006-07.

**Explanation:** Relative to the Governor's estimates, the preceding amounts are \$601,600 higher in 2005-06 and \$914,400 lower in 2006-07. For the public utility distribution account appropriation, aid payments are estimated to be \$1,714,400 lower in 2006-07 because only the first stage of construction is likely to be complete in 2005 at two new production plants. DOA estimated that the plants would be fully constructed and operating at higher megawatt capacities. For the shared revenue account appropriation, aid payments are estimated to be higher by \$588,000 in 2005-06 and \$800,000 in 2006-07 based on trends in historic rates of growth for the various types of aidable utility property, adjusted to exclude newly constructed production plants.

<u>Modification</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$312,800

Prepared by: Rick Olin