

### Fiscal Estimate - 2009 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-4076/1</b>	<b>Introduction Number</b> <b>AB-0649</b>	
<b>Description</b> Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, one- and two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty		
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue      5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>

DOR/ Daniel Huegel (608) 266-5705

Paul Ziegler (608) 266-5773

1/22/2010

## Fiscal Estimate Narratives

DOR 1/22/2010

LRB Number	<b>09-4076/1</b>	Introduction Number	<b>AB-0649</b>	Estimate Type	<b>Original</b>
<b>Description</b> Goals for reductions in greenhouse gas emissions, for construction of zero net energy buildings and for energy conservation; information, analyses, reports, education, and training concerning greenhouse gas emissions and climate change; energy efficiency and renewable resource programs; renewable energy requirements of electric utilities and retail cooperatives; requiring electric utilities to purchase renewable energy from certain renewable facilities in their service territories; authority of the Public Service Commission over nuclear power plants; motor vehicle emission limitations; a low carbon standard for transportation fuels; the brownfield site assessment grant program, the main street program, the brownfields grant program, the forward innovation fund, grants to local governments for planning activities, the transportation facilities economic assistance and development program, a model parking ordinance; surface transportation planning by the Department of Transportation and metropolitan planning organizations to reduce greenhouse gas emissions; environmental evaluations for transportation projects; idling limits for certain vehicles; energy conservation codes for public buildings, places of employment, one- and two-family dwellings, and agricultural facilities; design standards for state buildings; energy efficiency standards for certain consumer audio and video devices, boiler inspection requirements; greenhouse gas emissions and energy use by certain state agencies and state assistance to school districts in achieving energy efficiencies; creating an exception to local levy limits for amounts spent on energy efficiency measures; creating an energy crop reserve program; identification of private forest land, promoting sequestration of carbon in forests, qualifying practices and cost-share requirements under the forest grant program established by the Department of Natural Resources; air pollution permits for certain stationary sources reducing greenhouse gas emissions; allocating a portion of existing tax-exempt industrial development revenue bonding to clean energy manufacturing facilities and renewable power generating facilities; requiring a report on certain programs to limit greenhouse gas emissions; granting rule-making authority; requiring the exercise of rule-making authority; and providing a penalty					

### Assumptions Used in Arriving at Fiscal Estimate

The bill affects the following areas of concern to the Department of Revenue (DOR): The utility gross revenues tax, local property taxes, utility shared revenues, sales and use taxes, and local levy limits.

#### UTILITY GROSS REVENUES TAX

Under current law, a "utility company" is subject to a state tax on its gross revenues allocated to Wisconsin at the following rates: 0.97% on gas revenues, 1.59% on wholesale electric revenues, and 3.19% on all other revenue. A "utility company" that is required to pay this tax is exempt from property taxes. A "utility company" includes (a) an investor-owned electric and gas company that serves retail customers in two or more municipalities, (b) a retail or wholesale electric cooperative, (c) a municipal-owned electric company (except that revenue from within the municipality that owns the utility is exempt from the tax), and (d) a "qualified wholesale electric company (QWEC).

Under current law, a QWEC is defined as either (a) an entity that owns or operates facilities for the generation and sale of electricity to a public utility or other entity that sells electricity directly to the public, provided that it sells 95% or more of the electricity it produces and it has a generating capacity of at least 50 megawatts (MW), or (b) a wholesale merchant plant that has a total generating capacity of at least 50 MW.

Under the bill, the definition of a QWEC is expanded to include a third type of entity – a nonutility nuclear power plant that has a total power production capacity of at least 50 MW.

Because most nonutility nuclear power plants with a total power production capacity of at least 50 MW would, in all likelihood, qualify as a QWEC under current law, this provision of the bill is expected to have no effect on utility gross revenues tax collections.

#### LOCAL PROPERTY TAXES

Property owned by an entity subject to the state utility gross revenues tax is exempt from property taxes. As stated above, the bill expands the definition of QWEC to include a third type of entity -- a nonutility nuclear

power plant that has a total power production capacity of at least 50 MW. Because most nonutility nuclear power plants with a total power production capacity of at least 50 MW would, in all likelihood, qualify as a QWEC under current law, this provision of the bill is expected to have no effect on property taxes.

## UTILITY SHARED REVENUES

Under current law, one of the components of the utility shared revenues program is a payment to municipalities and counties which have electric generation facilities that began operation or were rebuilt or "repowered" after December 31, 2003 and which have a generating capacity of at least 1 MW. The payment is \$2,000 per MW of name-plate generating capacity. For property in a town, the town is paid one-third (\$666.67) and the county is paid two-thirds (\$1,333.33). For property in a village or city, the village or city is paid two-thirds (\$1,333.33) and the county is paid one-third (\$666.67). The payment applies to power plants used by investor-owned or cooperative-owned utilities, municipal utilities (but only for plants outside the municipality that owns the utility), municipal electric association projects (multi-municipal entities organized to produce and produce power for their municipal members), a QWEC, and a wholesale merchant plant.

Under the bill, the list of entities for which the above payment is made is amended to include nonutility nuclear power plants. Since most of these plants would probably qualify as a QWEC under current law, the bill is expected to have no effect on utility shared revenues payments.

## SALES AND USE TAX

Under current law, the sale of "biomass" used for fuel and sold for residential use is exempt from the state and local sales and use tax. "Biomass" is defined as a resource that derives energy from wood or plant material or residue, biological waste, crops grown for use as a resource, landfill gases, and refuse-derived fuel used for a renewable facility that was in operation before January 1, 1998.

Under the bill, the definition of "biomass" would be changed. Under the new definition, "biomass" includes plant material or residue, biological waste, and landfill gases.

By narrowing the definition of what constitutes "biomass", the bill has the potential to reduce the amount of sales that are exempt from the state and local sales and use tax. The resultant increase in tax collections is expected to be minimal.

## LOCAL LEVY LIMIT

Under current law, for property taxes levied in 2009 and 2010, a municipality or county may not increase its property tax levy by more than its "valuation factor". The "valuation factor" generally equals the greater of either 3.00% or the percentage change in the entity's equalized value due to net new construction between the previous year and the current year.

The following adjustments to the prior year tax levy are allowed when determining the levy limit in the current year: (a) increased debt service from the prior year for debt authorized prior to July 1, 2005, (b) debt service for general obligation debt issued after July 1, 2005, (c) levy increases approved by voters at a referendum, (d) unreimbursed expenses related to an emergency declared by the Governor, (e) certain increases in charges from joint fire departments, (f) lease payments for lease revenue bonds issued before July 1, 2005, (g) shortfalls in funds for debt service on certain revenue bonds, and (h) changes in costs due to the consolidation of a service at the county level, intergovernmental cooperation agreements, transfers of service from or to another governmental entity, and the annexation or detachment of territory.

Under the bill, the amount levied in any year by a municipality or county to pay for energy efficiency measures and renewable energy products that result in the avoidance of energy costs or the reduction of energy costs would be exempt from the levy limit. The Department of Administration would be responsible to promulgate rules regarding the definition of energy efficiency, renewable energy, and energy costs to facilitate the implementation of this levy limit exemption.

The amount currently expended by municipalities and counties on energy efficiency measures and renewable energy products is unknown. Under the bill, expenditures on these activities would be encouraged and, to an extent, possibly mandated. Assuming that the levy limits are extended beyond 2010, levy limits, and thus, allowable municipal and county property taxes, will be higher under this provision of the bill than under current law by an unknown amount.

## Long-Range Fiscal Implications