



STATE REPRESENTATIVE

SAMANTHA KERKMAN

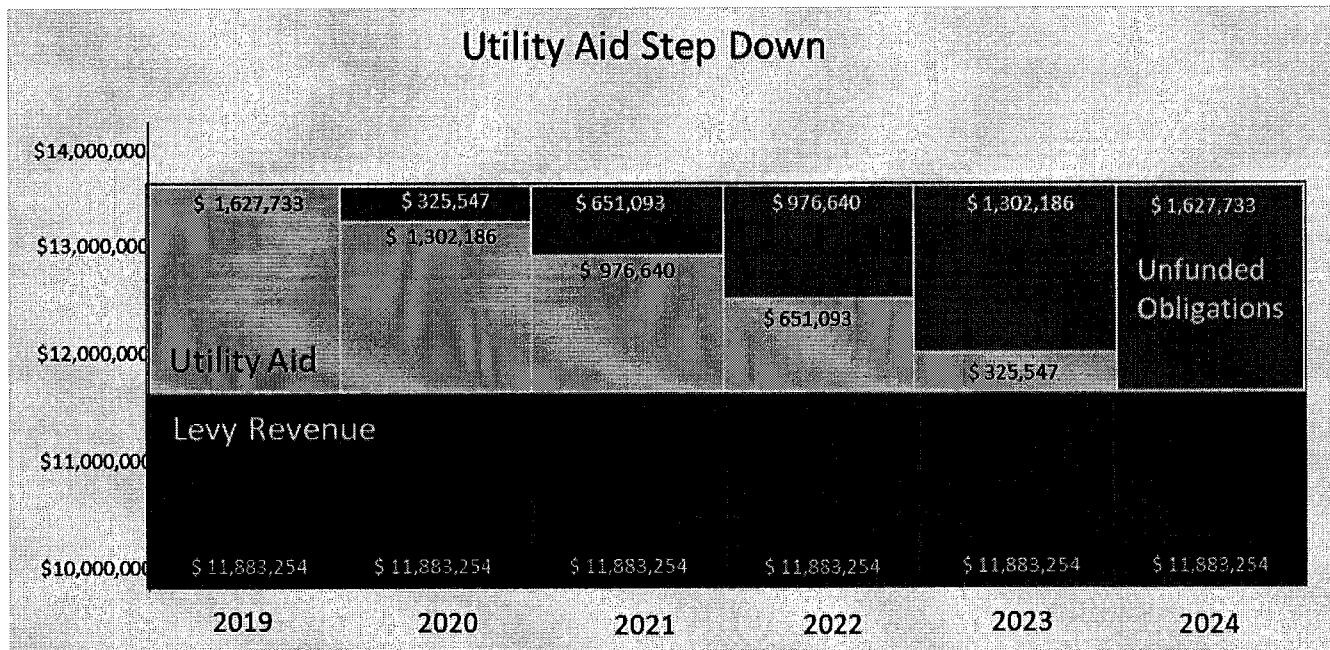
Testimony for 2019 Assembly Bill 235

Like eight other communities across Wisconsin, a municipality that I represent hosted a productive coal-fired power plant. Due to economic realities, the utility ceased production at the Pleasant Prairie facility.

Since 1971, due to the complexity of assessing power generation facilities, these facilities are exempt from property tax and instead Wis. Stats. s.79.04 has offered utility aid payments to the counties and municipalities that host power generation facilities. In 2005 the legislature limited the ability for counties and municipalities to raise their levy more than the equalized value of new construction. At that time, there was a power shortage and nobody would have predicted that we would see the shutdown of working electric generation facilities.

When an electric power generating facility is closed or decommissioned, the property comes back onto the property tax roll, but the valuation of that property cannot offset the loss of the utility aid payment because the facility is not "new construction". The utility aid is "stepped down" by 20% per year for 5 years, but the only way a municipality can keep their budget steady under the current law, would be to go to referendum for each of those 5 years to maintain the existing level of programs and services.

The graphic below has the impact of the closure of the Pleasant Prairie Plant to the Village of Pleasant Prairie:



Assembly Bill 235 creates an extremely narrow levy limit exception that only applies to counties and municipalities that host a closed or decommissioned power plant to electively exceed their levy by the amount of the utility aid payment they lost in that year.

Please support AB-235's common sense solution to this unintended levy limit situation.



Office of the Village Administrator
Nathan R. Thiel

December 19, 2018

AB 235 Pleasant Prairie Statement:

Chair and members of the Committee on Energy and Utilities, as you are aware municipalities that have coal and natural gas plants within their boundaries receive a State Utility Aid payment from state utility tax collections. The intent of this aid payment was to:

1. Compensate opportunity cost and municipal burden.
2. Substitute for zero property tax generation.
3. Recognize the environmental impact.

Since 1980's Pleasant Prairie Power Plant (also known as P4) has operated until April of 2018. In the coming years the P4 plant will be decommissioned, at which point the Village of Pleasant Prairie will no longer be eligible for Utility State Aids. Current state law created a five year step down in order to ease the burden of municipalities, but up to this point impact has not been as significant as will be the case for Pleasant Prairie.

Currently the Village receives \$1.6M in State Utility Aids, this represents about 10% of the Village's current General Fund budget which in 2019 total revenue was \$17,467,481. This decrease in funding represents a shortfall equivalent to 14 firemen or police officers. It represents almost 90% of our annual road maintenance budget. On an annual basis, Pleasant Prairie would see a reduction of approximately a \$320K each year.

If the Village were required to make up this difference simply through net new construction the Village would have to generate \$375M in new value or see about 7.5 million square feet of new industrial space to replace the \$1.6 million revenue loss. Even for Pleasant Prairie, which has had excellent growth in recent years, these are phenomenal numbers. To give context in 2018 we added just over 460K commercial and industrial square feet. To make up the difference in a five year period we would have to add to that 400K square feet another 1.5M square feet of industrial development. The additional revenue from new development is meant to serve the new development, not to offset revenue loss and inflationary service costs.

This increase spread out over our jurisdiction will amount to an insignificant cost to the taxpayer. The Village has a total assessed value of over \$3.6B and consistently maintained mill rate under \$5, currently \$4.27. Adding \$1.6M to our levy would result in a change to the mill rate of 55 cents, 11 cents per year. The annual change is less than half a percentage point. The nominal tax impact this would have on the median residential homeowner would be \$26 per year and \$131 per year at the end of five years.

We would strongly encourage support of AB 235, and welcome any questions the committee might have.

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number **19-1468/P3** Introduction Number

Description
 exception from local levy limits for political subdivisions receiving certain utility aid payments

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations
 Decrease Existing Revenues

 Yes No
 Create New Appropriations
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs
 3. Increase Revenue
 Permissive Mandatory
 Permissive Mandatory
 2. Decrease Costs
 4. Decrease Revenue
 Permissive Mandatory
 Permissive Mandatory

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others TIDs
 School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 5/22/2019

LRB Number	19-1468/P3	Introduction Number	Estimate Type	Original
Description exception from local levy limits for political subdivisions receiving certain utility aid payments				

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a political subdivision may not increase its levy by a percentage that exceeds its valuation factor—defined as the greater of either zero percent or the percentage change in the political subdivision's equalized value due to net new construction. A number of levy limit exceptions exist under current law, such as amounts levied for countywide emergency medical system, for county children with a disabilities education board, and for certain bridge and culvert construction repairs.

The bill creates a new levy limit exception for political subdivisions when a decommissioned power plant becomes taxable and the associated utility aid payment is phased out at 20 percent a year over a period of five years. Under the bill, the levy exception may not exceed the amount paid to the political subdivision in utility aid less the phase down amount in the year the levy is imposed. A revenue reduction occurs only when a political subdivision receives a utility aid payment in the current year that is less than the payment in the previous year.

Based on currently decommissioned power plants, the local fiscal effect on property tax levies is \$143,000 for December 2019 (2020) and \$88,600 for December 2020 (2021). The Pleasant Prairie Power plant closed in April, 2018 but is currently tax exempt pending a decision by the Wisconsin Public Service Commission. If the Pleasant Prairie Power Plant becomes taxable, then the levy limit exception would increase by \$494,080 each year for a maximum amount of \$2,470,400 for all political subdivisions.

The fiscal effect on tax incremental districts (TID) is indeterminate. If the levy limit exception results in higher property tax rates, then TID revenues could increase under the bill.

The department can absorb the minor administrative expenses.

Long-Range Fiscal Implications

Coal-fired

Plant	Location	Coords.	Notes
Alma Generating Station	Alma, Wisconsin	44°18'30"N91°54'39"W	Closed in 2014 ^[2]
Columbia Energy Center	Portage, Wisconsin	43°29'10"N89°25'13"W	
Edgewater Generating Station	Sheboygan, Wisconsin	43°42'56"N87°42'23"W	
E. J. Stoneman Generating Station	Cassville, Wisconsin	42°42'30"N90°59'5"W	Closed in 2015. Briefly operated burning Bio-Mass Fuel ^{[3][4]}
Elm Road Generating Station	Oak Creek, Wisconsin	42.850058, -87.833035	Adjacent to the Oak Creek Plant
Genoa Generating Station	Genoa, Wisconsin	43°33'33"N91°13'55"W	^[5]
John P. Madgett Generating Station	Alma, Wisconsin	44°18'11"N91°54'45"W	^[6]
Nelson Dewey Generating Station	Cassville, Wisconsin	42°43'21"N91°0'31"W	Closed in 2015. ^{[3][7]}
Pleasant Prairie Power Plant	Pleasant Prairie, Wisconsin	42°32'17"N87°54'17"W	Closed in 2018. ^[8]
J. P. Pulliam Generating Station	Green Bay, Wisconsin	44°32'24"N88°00'31"W	Closed in 2018
Oak Creek Power Plant	Oak Creek, Wisconsin	42°50'40"N87°49'43"W	^[9]
Weston Generating Station	Rothschild, Wisconsin	44°51'31"N89°38'59"W	^[10]