

Huron Daily Tribune

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Tuscola depending on wind tax revenue, but that won't last forever

Mary Drier, For the Tribune Updated 9:40 am, Wednesday, December 14, 2016

CARO — Besides preparing the 2017 Tuscola County budget, an analysis of wind revenue and the impact of inflation on the general fund have been studied.

The study shows the county is greatly dependent on revenue generated from wind farms, which began in 2013.

"Because of a number of factors, we are heavily dependent on revenue from wind development, but the revenue they generate declines quickly. We need to prepare for that," said county Controller **Mike Hoagland**. "With the exception of wind turbines, county tax base growth has been extremely limited. Wind development has produced some short term revenue.

"However, under the current method of assessing and taxing wind turbines the amount of revenue received declines substantially with time. This has already started and will make the financial situation worse."

Tuscola County commissioners are expected to approve next year's overall budget of \$54 million during Thursday's 8 a.m. board meeting.

"It's a balanced budget this year and we will be able to put some funds towards capital improvements," said Hoagland, cautioning some difficult decisions are on the horizon.

Several factors were studied in preparing the budget.

Inflation rates were applied to actual audited general fund revenue to determine the amount of revenue that should have been received each year to keep pace with inflation from 2001 to 2015. The actual and inflation adjusted revenue by year were compared, and then done to show the financial picture without turbine revenue.

The comparison shows how financially dependent the county is on wind revenue and the impact depreciation has.

"Actual general fund (GF) revenue is significantly below the amount that should have been received to keep pace with inflation. For the 2001 to 2015 period, total actual GF revenue was approximately \$176 million compared to inflation adjusted GF revenue of approximately \$187 million," Hoagland explained. "In other words, \$11 million more in GF revenue was needed to offset the eroding impact of inflation. Without wind turbine revenue the actual and inflation adjusted revenue gap would have been even greater at over \$13 million."

A chart shows since 2010, the gap in every year has exceeded \$1 million. In 2015, GF inflation adjusted revenue was \$14,118,716 compared to actual revenue of \$13,106,201 for a difference of \$1,012,515.

"In order to adjust to this situation, county officials have made many difficult decisions to deal with buying power erosion caused by inflation. Some of the adjustments made include: staffing reductions, special purpose millages, consolidation of services," Hoagland said. "More tough decisions will have to be made in the future to keep the budget balanced."

"The first thing in solving a problem is acknowledging there is one and to work on a solution as soon as possible."

Besides the impact of inflation and decreases in state funding along with more regulation requirements, operating expenses continue to increase. The county has a limited property tax base growth rate and only has a county millage rate at 3.9141 mills.

"We are caught between a rock and a hard place. Other than requesting millage increases, the state does not provide county government with taxing authority. Without authority from the state to raise revenue, the county cannot offset inflationary increases," Hoagland said. "Without additional changes the ability to continue to deliver state mandated services at current levels will not be possible. This breaking point is fast approaching."

Although more wind farm development is being planned for 2017 in northern Tuscola County by two different energy companies, the county is not banking on them to solve budget issues.

Consumers Energy officials filed paperwork for special use permits for 19 turbines to be built as phase two of its Cross Winds Energy Park in Columbia Township. And, **NextEra Energy Resources** LLC officials filed for special use permits for 52 turbines in Almer, Ellington, and Fairgrove townships to develop Tuscola III Wind Energy Center. However, there is a moratorium on wind development in Almer and Ellington townships.

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