



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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TO: Representative Gordon Hintz
Room 201 West, State Capitol

FROM: Bob Lang, Director

SUBJECT: Potential State and Other Assistance to Foxconn Development Project

On September 19, 2017, the Governor signed 2017 Wisconsin Act 58, which created the electronics and information technology manufacturing zone (EITM zone) tax credit program and provided state, local, and other assistance for a business (Foxconn) to be located in the zone. This memorandum provides: (a) a summary of the Act 58 provisions that provide state and local assistance to the Foxconn development and the EITM zone as well as other related utility costs that could impact local residents; and (b) the amount of costs state and local governments have incurred to date under these provisions.

DIRECT STATE ASSISTANCE FOR THE FOXCONN DEVELOPMENT

EITM Zone Payroll Tax Credit and Supplemental Credit for Capital Expenditures

Act 58 included two refundable income or franchise tax credits that would provide assistance to Foxconn business activities in the EITM zone: the EITM zone payroll tax credit and the supplemental credit for capital expenditures. The costs of these credits would be partially offset by additional general fund tax revenues associated with increased state employment and economic activity.

A claimant can claim as a refundable tax credit an amount calculated by multiplying the amount of zone payroll for the taxable year of full-time employees employed by the claimant by 17%. In order for the Wisconsin Economic Development Corporation (WEDC) to certify a business as eligible to claim the EITM zone credits, WEDC must contract with a business that begins operations in the EITM zone. WEDC cannot certify a business as eligible to claim the payroll credits for services performed outside the state. WEDC cannot issue certifications to claim payroll tax credits under these provisions that total more than \$1.50 billion.

"State payroll" means the amount of payroll apportioned to this state, as determined under the old corporate apportionment statutes. "Zone payroll" means the amount of state payroll that is

attributable to wages paid by the claimant to full-time employees for services that are performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone, as determined by WEDC. "Zone payroll" does not include the amount of wages paid to any full-time employees that exceeds \$100,000. A "full-time employee" means an individual who is employed in a job for which the annual pay is at least \$30,000 and who is offered retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.

In addition to the payroll tax credit, if WEDC determines that a certified business makes a significant capital expenditure in the EITM zone, it can certify the business to receive additional tax benefits in an amount to be determined by WEDC, but not exceeding 15% of the business's capital expenditures in the EITM zone in the taxable year. WEDC must, in a manner it determines, allocate the tax benefits a business is certified to receive under this provision over a period of seven years. In certifying a person as eligible to receive the capital expenditure credits, WEDC must establish job creation thresholds for a business for each year in the zone, and the claiming of the credits by that business must be tied to those job creation thresholds. WEDC must adopt policies and procedures defining "significant capital expenditure." WEDC cannot issue certifications to claim capital expenditure tax credits under these provisions that total more than \$1.35 billion.

On November 10, 2017, WEDC entered into a contract to certify three Wisconsin corporations that are affiliated with Foxconn as eligible to receive EITM zone credits (SIO International Wisconsin, Inc., FEWI Development Corporation, and AFE, Inc. ["the Foxconn entities"]). WEDC designated the EITM zone in the Village of Mt. Pleasant in Racine County.

The Foxconn entities have not yet earned any refundable EITM zone tax credits for payroll or capital expenditures. Pursuant to the contract with WEDC, 2018 was the first year in which Foxconn may earn payroll tax credits. However, in a letter to WEDC on January 17, 2019, Foxconn states that it hired only 178 of the 260 full-time employees required in order to earn any of the \$9.5 million payroll tax credits available for 2018. Thus, no payroll credits were earned in 2018. The first year in which Foxconn may earn EITM zone tax credits for capital expenditures is for activities that may occur in 2019.

Before claiming EITM zone tax credits from the Department of Revenue (DOR), the Foxconn entities must first receive a verification letter from WEDC. Before issuing such a letter, WEDC must first review Foxconn's annual report and a verification report from a nationally recognized certified public accountant. Pursuant to the contract, the Foxconn entities' next scheduled report is due on or before April 1, 2020, after which the certified public accountant would have up to 45 days to complete its review before WEDC begins the verification process to calculate the amount of credits the Foxconn entities are eligible to claim. Further, upon receiving a verification letter from WEDC, the Foxconn entities would have up to 14 days to object to the calculation of tax credits. Thus, to the extent any tax credits for payroll or capital expenditures are earned in calendar year 2019, such refundable credits would likely not be claimed at DOR until 2020-21.

The 2019-21 biennial budget act (2019 Act 9) appropriated \$212.0 million in 2020-21 for anticipated EITM zone tax credit claims (the maximum amount to be earned in 2019 under the

contract). This amount is comprised of \$192.9 million in capital expenditure credits and \$19.1 million in payroll credits).

Sales and Use Tax Exemption

Act 58 created a sales and use tax exemption for building materials, supplies, and equipment, and landscaping and lawn maintenance services acquired solely for use in the construction or development of facilities located in an EITM zone if the capital expenditures for the construction or development of such facilities may be claimed as an EITM zone capital expenditure credit, as certified by WEDC. Based on estimated capital expenditures of \$10 billion to construct the Foxconn facility, DOR estimated that the sales and use tax exemption will result in state tax savings of \$139 million for Foxconn and its contractors during the life of the EITM zone. However, since it is unlikely that Foxconn would locate in the state without the incentives provided under the Act, this amount should not be viewed as a state revenue loss.

Under current law, a contractor, subcontractor, owner, lessee, or builder who makes purchases that qualify for this exemption must provide a fully completed sales and use tax exemption certificate to the relevant vendor. The contractor, subcontractor, owner, lessee, or builder is required to maintain records to substantiate that its purchases qualify for the exemption. Additionally, the vendor must retain a copy of the exemption certificate for their records. However, DOR does not receive the completed exemption certificate. Instead, DOR receives a general sales and use tax return from the vendor which lists only the total amount of sales eligible for any sales tax exemption under state law. Sales tax returns do not identify the specific type of taxable good or service for which the tax is being paid, or for which an exemption is being claimed. Therefore, DOR is unable to track the amount of state tax savings associated with the sales tax exemption for eligible EITM zone construction activity. Thus, the value of the exemption must be estimated.

As noted above, the estimated state sales tax savings of \$139 million for Foxconn and its contractors was based on estimated capital expenditures of \$10 billion. If the Foxconn entities are eligible to earn the full amount of capital expenditure credits for 2019, the value of the sales tax exemption through 2019 would be estimated at \$19.9 million. However, the capital expenditure amounts eligible for the sales tax exemption in 2019 will not be known until WEDC verifies the amount of credits the Foxconn entities are eligible to claim.

Grants to Local Governments

The Department of Administration (DOA) is authorized to make one or more grants to local governmental units for costs associated with development occurring in an EITM zone, including costs related to infrastructure and public safety. Under the Act, DOA may require a local governmental unit to match a grant in whole or in part. The Act creates a continuing GPR appropriation under DOA with funding of \$15,000,000 GPR in 2017-18 for making such grants to local governmental units.

The Secretary of DOA may contract with a local governmental unit to implement grants, any match requirement, and the moral obligation pledge (described below). The Act defines a "local

governmental unit" as a city, village, town, county, or technical college district that contains any part of an EITM zone designated under the Act for the purposes of making the grants to local governments, any match requirement, and the moral obligation pledge for local governmental obligations.

Over a period from November 28, 2017, to June 5, 2018, the Department made five grant payments to the Village of Mount Pleasant totaling \$15,000,000.

Economic Development Liaison

Act 58 provided \$183,500 GPR in 2017-18 and \$177,500 GPR in 2018-19 and 1.0 unclassified GPR project position annually to DOA's supervision and management general program operations appropriation for economic development liaison activities under an agreement with WEDC. Under the Act, the project position has an end date of December 31, 2022. Under current law (s. 230.27(1) of the statutes), a project position may not exist for more than four years. However, the Act specified that the four-year limit does not apply to this position. In addition, the Act assigned the project position to Executive Salary Group 4, for which the annual salary range specified in the current state compensation plan is \$79,165 to \$130,624. The administration indicates that the position will serve as the state's primary point of contact for any matters regarding Foxconn. Under Act 58, the position is appointed by the Secretary of DOA.

Under 2017 Act 369, the power to appoint and supervise the position was transferred from DOA to the WEDC Board. On February 19, 2019, the WEDC Board selected and confirmed an individual to fill the position, which had been vacant since November 13, 2018. The position is budgeted \$177,500 GPR for salary, fringe benefits, and supplies and services in 2019-20.

State and Local Road Improvements Associated With the Project

In November, 2017, the Department of Transportation (DOT) submitted a federal INFRA grant application related to the I-94 North-South corridor project. While outlining the remaining work to be completed on that project, this application also indicated that state funding for state and local road improvements associated with the development of the adjacent Foxconn site could be in the range of \$134 million. [This figure did not include any estimate of local government costs on those roads.]

DOT now indicates that the scope of the planned project work related to the Foxconn development will total \$223 million to be funded from the state highway rehabilitation program (SHR). Of this total, DOT indicates that \$156.4 million relates to work on formerly local and new roads that are classified temporarily as state highways. The remaining \$66.6 million in SHR funding relates to improvements to state highways adjacent to the development, some of which may have eventually been completed without the Foxconn development. In addition to these SHR costs, an estimated \$26.7 million will be paid by local governments (Village of Mount Pleasant and Racine County) to fund a portion of the roadwork related to the Foxconn development. Therefore, the total estimated state (\$223 million) and local (\$26.7 million) cost of this roadwork is \$249.7 million.

Of this total amount, the Department indicates that \$135.7 million has been committed (contracted or encumbered) through late September, 2019, for this work. Because local governments are expected to fund up to \$26.7 million of the project costs through the end of the project work, a portion of these committed funds are likely to be reimbursed by the Village and County.

Summary of Direct State Assistance

The following table displays the potential state assistance and amount encumbered or expended to date for the Foxconn EITM zone.

**Estimated State Assistance for the Foxconn EITM Zone
(In Millions)**

<u>State Assistance*</u>	<u>Potential Cost</u>	<u>Encumbered/ Expended to Date</u>
EITM Zone Payroll Tax Credit	\$1,500.0	\$0.0
EITM Zone Capital Expenditure Tax Credit	1,350.0	0.0
Sales and Use Tax Exemption	139.0	**
Grants to Local Governments	15.0	15.0
Economic Development Liaison	1.0	0.4
Other State and Local Road Improvements	<u>223.0</u>	<u>135.7</u>
Total	\$3,228.0	\$151.1

* Does not include the estimated costs for I-94 North South corridor improvements (see section below).

** Unknown, as this amount is not reported to DOR.

OTHER STATE AND LOCAL ASSISTANCE FOR THE FOXCONN DEVELOPMENT

I-94 North-South Corridor Project

DOT is authorized \$252.4 million in GPR-supported, general obligation bonds for the I-94 North-South corridor project in the southeast Wisconsin freeway megaprojects program. DOT also received a \$160 million federal INFRA grant to help accelerate the completion of this project. The state portion of the improvements to the I-94 North South corridor are not specific to the Foxconn development and had been planned for construction since the project was enumerated in statute in 2007. However, the Foxconn development likely expedited the funding of this portion of the I-94 North South corridor. As of November 1, 2019, \$179.9 million in bonds have been issued for the project. Estimated debt service due on the partial issuance of these bonds is currently \$8.0 million in 2019-20 and \$14.7 million in 2020-21. When fully issued, the estimated, annualized debt service on the bonds would peak at \$20.3 million (assuming a 5% interest rate and 20-year bond maturities).

DWD Worker Training and Employment

The Department of Workforce Development (DWD) is provided a continuing GPR appropriation for a worker training and employment program, and DWD is directed to allocate

\$20,000,000 from the appropriation in the 2019-21 biennium to provide funding, through grants or other means, to facilitate worker training and employment in the state. It should be noted that Act 58 does not require funds to be expended for purposes relating to or benefiting the EITM zone. Funds must, however, be expended in accordance with a plan approved by the Joint Committee on Finance. No monies were appropriated for the program in the 2017-19 biennium or in the 2019-21 biennial budget act.

Foxconn Electronics and Manufacturing Tax Incremental Financing District

On November 20, 2017, the Village of Mount Pleasant (Village) established an EITM tax incremental financing district (TID) to finance land acquisition, public improvements, developer incentive grants, and public safety operation costs associated with the Foxconn project. The Village established an effective base value date of January 1, 2018, for the EITM TID. On December 1, 2017, the Village, Racine County (County), SIO International Wisconsin, Inc. (SIO), FEWI Development Corporation (FEWI), and AFE, Inc. (AFE), (collectively, SIO, FEWI and AFE referred to as "the Foxconn entities") signed a development agreement that outlines the responsibilities of the Village, County and the Foxconn entities.

Project Costs Funded From The EITM TID. As part of the EITM TID financing plan, the Village and County initially committed to using a total of \$763.8 million in TID revenues to finance the costs of public improvements and cash incentives associated with the Foxconn development. Under the financing plan, these costs would be repaid by annual tax increments from the TID, which are estimated to be generated by the TID from 2020 through 2049. Subsequently, estimated project costs were increased with the current estimate of project costs that would be funded out of TID revenues totaling \$911.3 million, or an increase of \$147.5 million. According to updated project documents provided by the Village and the County, the increase in project costs is primarily due to higher land acquisition costs and additional water and sewer related costs. Also higher interest costs are expected with the additional project costs having to be financed with debt.

The projected closure of the EITM TID, originally estimated to be in year 2043 as stated in the November 20, 2017 TID project plan, is now estimated to be 2049. According to updated project documents, the later TID closure date results from increased debt service due to additional project costs to be financed, related interest expenses and a reduction in the total TID mill rate as compared to the original project plan.

Of the \$911.3 million total estimated EITM TID project costs, \$60 million are to be covered by the Foxconn entities as a developer advance to the TID. In addition, the Foxconn entities are required to pay an estimated \$202 million to the TID through an annual special assessment to be levied by the Village on Foxconn property over most of the life of the TID. However, the \$60 million developer advance and the \$202 million special assessment payments from the Foxconn entities will be repaid to the Foxconn entities in the later years of the life of the district. In addition, the Foxconn entities are eligible to receive \$100 million in developer incentive grant payments from the EITM TID revenues, or \$10 million annually over a 10-year period.

TID Expenditures. Through December 31, 2018, there has been an estimated \$190.1 million

expended from the EITM TID for project costs. Of this amount, \$170 million has been used for land acquisition and relocation costs, \$14.8 million for water and sewer infrastructure, \$4.1 million for debt and issuance costs, and \$1.2 million for legal, professional and other costs. The \$190.1 million expended thus far is, in part, funded from the \$60 million developer advance from the Foxconn entities for land acquisition, which has been entirely spent. The remaining \$130.1 million in expenditures has been funded from local government bond issues. To date, the Village and County have issued \$353.1 million in bonds comprised of: (a) \$150.1 million in bonds issued by the County to finance land acquisition backed by TID special assessments; (b) \$120 million in tax increment revenue bonds issued by the Village to finance public infrastructure improvements backed by TID increments and the state's moral obligation; and (c) \$83 million in sewer system revenue bond anticipation notes issued by the Village to finance sanitary sewer infrastructure improvements backed by TID increments and revenues to the sewer utility. The remaining unexpended bond proceeds are expected to fund future costs of the EITM TID.

2017 Act 58 provides for the extension of the State of Wisconsin's moral obligation pledge as additional security for up to 40% of the total local government debt obligations issued to fund project costs (see section on State's Moral Obligation Pledge). The EITM TID's project plan states that the intent to utilize the state moral obligation pledge only as additional security for the Village's tax increment revenue bonds. Subsequent to the project plan, the state's moral obligation pledge was attached to the Village's \$120 million Tax Increment Revenue Bond (TID 5) Series 2018A issue, dated October 4, 2018, which included \$17.5 million for capitalized interest (costs in part due to the scheduled delay in the start of principal retirement until 2024).

An estimated \$721.2 million in project costs remain for the EITM TID. As of January 1, 2019, these remaining expenditures were estimated to be for the following: \$248.6 million in total interest-related costs on debt; \$169.8 million on water and sewer infrastructure; \$150.1 million for public safety operating and capital costs; \$35.9 million on land acquisition and relocation costs; \$11.5 million for road improvements; \$5.3 million for debt issuance and other legal and professional costs; and a \$100 million developer incentive grant.

Specifically regarding the \$100 million developer incentive grant, the development agreement requires grant payments from the EITM TID in the amount of \$10 million per year to the Foxconn entities commencing in 2024 and for nine years thereafter. In order to qualify for receipt of each annual grant payment, the Foxconn entities must meet certain conditions, including: (a) not be declared in default under the WEDC Contract, and not be in default under the developer agreement for failure to make any payments due under the agreement; and (b) having provided all reports required under the WEDC Contract, evidencing full compliance with all employment requirements. The developer grant payments are also contingent on the availability of tax increment revenue within the EITM TID after annual principal and interest payments due on all Village and County debt and other annual TIF costs.

Guarantees Provided to the Village and County. In order to repay the \$911.3 million in project costs, including interest on local debt issued, the development agreement requires the Foxconn entities to construct and maintain improvements within Area I of the EITM zone that have a total incremental value of at least \$1.4 billion. This minimum guaranteed valuation must be achieved not

later than January 1, 2023, and must be maintained through December 31, 2047. If in any year during this period the value increment of the district within Area I is less than \$1.4 billion, the Foxconn entities (all three signatories to the development agreement collectively) must make a payment ("makeup payment") to the Village to make whole any annual tax increment revenue that would have been collected had the \$1.4 billion in tax increment value been maintained.

In addition to the \$1.4 billion minimum valuation guarantee, a limited guarantee agreement is provided by SIO International Holdings Limited (SIOIHL) for the benefit of the Village and County. SIOIHL controls the voting interests of SIO and FEWI and has committed to providing the funding necessary for SIO and FEWI to guarantee certain obligations under the development agreement. Under the limited guarantee agreement, SIOIHL guarantees to the Village and to the County payments by SIO and FEWI for all obligations to: (a) annual payment of special assessment charges due from the Foxconn entities, and; (b) satisfy annual makeup payments due from the Foxconn entities if the guaranteed tax increment value of the project is below \$1.4 billion for any year between 2023 through 2047. However, the maximum total guaranteed amount of payment under the limited guarantee agreement is \$135 million (or just over four years of expected tax increment). The limited guarantee agreement provided by SIOIHL does not include AFE as a party to the agreement.

Potential Local Costs Outside of EITM TID

The Foxconn development will impose additional operating and capital costs on local governments. Some of these costs will result from providing public services directly to the Foxconn development in the EITM TID, and some costs will be indirect, resulting from providing services to people and property outside, but resulting from, the development outside the district. Those developing property in the EITM TID will be subject to any fees charged by the municipality or other local governments for services, such as for utilities. Public service costs funded through property taxes will not generally be recouped from the EITM TID development, since the taxes on property located inside the EITM TID will be dedicated to repaying the EITM TID's project costs. To the extent property in the district causes those public service costs to increase, the taxes imposed to fund the services will be shifted to other property within that local government's jurisdiction, but outside the EITM TID. However, the EITM TID is allowed to incur tax increment-funded expenditures for the cost of constructing or expanding fire stations, purchasing police and fire equipment, and the cost of general government operating expenses related to providing police and fire protection services, including those incurred outside of the district, which could help mitigate any potential tax increases on properties outside of the district.

Indirect costs will result from other development related to the Foxconn project. That development will include business suppliers to Foxconn project, housing for Foxconn project employees, and businesses serving those employees, and the development that will occur within the Village of Mount Pleasant and Racine County and in adjacent municipalities, counties, and states. The incremental public costs related to the development may be small initially, but they could increase as local governments are required to increase capacity, either by adding employees or infrastructure, such as roads, schools, and other buildings.

In Wisconsin, the property tax is the largest component of own-source revenue raised by local

governments and will be used as the primary source for funding the costs described above. Counties, municipalities, technical college districts, and school districts are subject to fiscal controls designed to limit the annual change in property taxes.

For counties and municipalities, the control is a levy limitation that limits the year-to-year increase in the tax levy to the percentage increase in tax base due to new construction within the county or municipality. The percentage is calculated without regard to TID boundaries, so new construction occurring in TIDs increases the allowable levy authority of the county and municipality containing the TID, even though the county and municipality are not imposing a tax on the TID's incremental value. As noted above, if the county or municipal levy uses this additional levy authority to increase general property tax levies, those taxes would be borne by property outside the TID. Given that the first improvements in the EITM TID occurred in 2018, tax year 2019 (payable 2020) would be the first year in which any net new construction in the EITM TID could affect these local levies. As an example, the Village of Mount Pleasant had net new construction of 4.37% for 2019(20), which included \$34.5 million in new construction within the EITM TID. In its 2019(20) budget, the Village indicates that its levy will grow under the levy limit by the same 4.37% due to this new construction. Because the Village increased its levy by the full 4.37% rate, the village levy is higher, which means taxpayers outside the EITM TID will pay higher taxes in 2019(20) that are partly due to the net new construction value added during 2018 in the EITM TID. Also, for development in the host community outside the TID and in adjacent municipalities, the levy limit will increase by the amount of this new construction, which would allow affected counties and municipalities the ability to fund costs related to that development.

For Wisconsin technical college districts, there is a revenue limit that applies to the sum of the tax levy and state property tax relief aid. No district can increase its revenue in any year by a percentage greater than its valuation factor. The valuation factor is the greater of zero, or the percentage change in the district's equalized value due to new construction, less improvements removed. For purposes of the revenue limit, tax levy excludes taxes levied for principal and interest on valid bonds and notes, other than noncapital notes. Districts may exceed their revenue limit if the increase is approved at referendum.

For school districts, revenue limits cover the sum of state general aid and the local levy, with certain exceptions. Each district's limit is calculated using a three-year rolling average of pupil enrollment. If additional pupils attend local school districts because of employment and housing growth attributable to the project, the three-year rolling average under revenue limits will increase as well. If school districts need to build new schools, a bonding referendum will need to be passed in order for the debt levy on the bonds to be outside of revenue limits. The effect of any increase in revenue limits on a school district's levy would depend in part on the district's aid characteristics (pupil membership, aidable costs, and equalized value) as well as the changes in those factors compared to other districts in the state.

Moral Obligation Pledge For Local Governmental Municipal Obligations

Act 58 specifies that, recognizing its moral obligation to do so, the Legislature expresses its expectation and aspiration that, if ever called upon to do so, it would make an appropriation to pay no more than 40% of the principal and interest of a local governmental unit's municipal obligations,

if all of the following apply: (a) the local governmental unit's municipal obligation is issued to finance costs related to development occurring in or for the benefit of an EITM zone; and (b) the DOA Secretary designates the moral obligation pledge for the local governmental unit's municipal obligation before the municipal obligation is issued, based on a plan that the local governmental unit submitted to DOA. The Act also permits the DOA Secretary to contract with a local governmental unit to implement the moral obligation pledge.

A state moral obligation pledge for local governmental municipal obligations can be viewed as a credit enhancement mechanism that could assist in the marketability of debt issued by a local governmental unit. Because of this pledge, debt not previously issued by a local governmental unit, or issued in larger amounts than before, may be issued at a lower interest rate due to the Legislature's moral obligation pledge to repay a portion of the outstanding principal and interest if the local governmental unit is unable to make such payments. The moral obligation pledge is not legally binding. Rather, it is a statement made by the current Legislature that it expects a future Legislature to, if called upon to do so, make an appropriation to assist in the repayment of outstanding debt issued by a local governmental unit.

As implemented by DOA and the local governmental units, the 40% limit on the state moral obligation is calculated by taking 40% of the aggregate total of municipal debt issued relating to an EITM zone. As noted above, to date the Village and County have issued \$353.1 million in bonds, so 40% of that aggregate total is \$141.2 million. The state's moral obligation pledge has been applied to the Village of Mount Pleasant's \$120 million of tax incremental financing (TIF) district bonds, which has a principal amount that is less than 40% of the aggregate total of municipal debt. In total, \$250.5 million of principal and interest costs associated with this bond issue carry the state's moral obligation pledge. The first principal payment is scheduled to occur in 2024. Of the \$120 million of bond proceeds and \$10.8 million of premiums, \$17.5 million is set aside for capitalized interest and \$10.2 million is deposited to a debt service reserve fund.

Impact on Utility Costs

In August, 2018, the Public Service Commission (PSC) approved a certificate of public convenience and necessity for the American Transmission Company (ATC) to construct a \$117.2 million transmission line project to provide electrical power to the Foxconn manufacturing development. As of September 30, 2019, ATC reports it has incurred costs of \$105.5 million. The transmission line project will affect the rates of residential and other electric customers, with the cost spread over a large number of consumers for up to 40 years. Although final costs are not yet known, the size of the ratepayer base and the length of time over which costs will be recouped suggest the impact on individual ratepayers would not be significant.

2017 Act 58 also modifies current law provisions regarding public utility market-based rates to require an electric public utility providing service to an EITM zone to file with the PSC, no later than January 1, 2020, tariffs that include market-based pricing and options that allow a new retail customer within the EITM zone to receive market benefits and take market risks for some or all of the customer's purchases of capacity and energy, provided that the PSC determines that the customer

is eligible for an EITM zone credit. As of November 21, 2019, PSC reports no application has been submitted for market-based pricing in the EITM zone pursuant to the provision.

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