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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research and Drafting

Legislative Budget Office

S.B. 181
136th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Wilkin

Local Impact Statement Procedure Required: No

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Highlights

- The Ohio Department of Natural Resources' (ODNR) Division of Mineral Resources Management will incur new costs to regulate underground mining of limestone and dolomite. The magnitude of these new costs will depend on the number and complexity of underground mineral mining operations.
- Costs incurred by the Division could be at least partially offset by new and increased severance taxes on the extraction of industrial minerals. The bill increases severance taxes on certain industrial minerals by ½ cent per ton and imposes a new severance tax of ¼ cent per ton on limestone and dolomite produced via underground mining methods.
- The bill creates the Underground Minerals Mining Fund to receive the new severance taxes on minerals produced from underground mines and requires the fund to be used to address surface impacts of underground minerals mining for areas where there is no active permit issued. The existing severance tax, increased by the bill, would continue to be deposited to the Mining Regulation and Safety Fund (Fund 5290).
- Changes to permitting fees made by the bill would have little overall impact on the Division's revenue.
- The bill requires the Chief of the Division of Mineral Resources Management to use a portion of the increased severance taxes to address timely responding to hydrology modeling requests and issues. The bill requires the amount used for this purpose to be determined by the Chief and be reasonable for this purpose.

Detailed Analysis

Overview

The bill creates a new regulatory program for underground limestone and dolomite mining operations and establishes the framework under which the program would operate. The bill would result in both new costs and new revenues for the Ohio Department of Natural Resources' (ODNR) Division of Mineral Resources Management. On the cost side, the Division will incur ongoing expenses related to permitting, inspections, and enforcement. However, these new costs could be at least partially offset by revenue from increased severance taxes on industrial minerals and a new severance tax levied specifically on the extraction of limestone and dolomite from underground mining methods. A more detailed discussion of the bill's fiscal effects is provided under the headings below.

Underground minerals mining program

ODNR's Division of Mineral Resources Management will incur new costs to administer the underground minerals mining program established by the bill. Under current law, the Division regulates surface and in-stream mining for certain aggregates, but it does not regulate underground mining of these minerals. Under the bill, the Division will be responsible for issuing new permits to underground limestone and dolomite operators; reviewing annual reports and monitoring mining activities; enforcing compliance, including subsidence controls and safety plans; and conducting a study to identify a centralized location for miner safety education and training.

The magnitude of the new costs is uncertain and will depend on the number and complexity of underground mining operations that come under regulation. If there are relatively few operations, the Division may be able to absorb some of the workload with existing staff and resources. However, if underground mining activity expands substantially or requires intensive oversight, additional staffing and operational support may be necessary. These costs may be partially offset by new revenue from permit fees and increased severance taxes authorized by the bill. Costs of the Division are primarily paid from the Mining Regulation and Safety Fund (Fund 5290) and the GRF.

Severance taxes

New and increased severance taxes under the bill could at least partially offset any new costs the Division incurs in regulating underground mineral mining. The bill increases severance taxes on limestone and dolomite, sand and gravel, clay, sandstone or conglomerate, shale, gypsum, and quartzite by ½ cent per ton. The bill imposes an additional severance tax of ¼ cent per ton on limestone and dolomite extracted via underground mining methods. In calendar year 2023, approximately 105.2 million tons of these commodities were produced. Assuming similar annual production volumes under the bill, the additional severance tax would provide increased revenue of about $530,000 per year. Because the volume of production from underground mineral mining is unknown, the additional revenue from the severance tax on limestone and dolomite from underground mines is indeterminate.

Under the bill, revenue from the increased existing severance tax is deposited to Fund 5290. The bill requires the new severance tax on limestone and dolomite from underground mines to be deposited into the new Underground Minerals Mining Fund which the bill creates.

The bill requires this new fund to be used to address surface impacts of underground minerals mining for areas where there is no active permit issued.

Permitting and other fees

The bill makes several changes to permitting that will affect revenue collected by the Division. Most significantly, it requires underground limestone and dolomite mine operators to obtain a permit to operate under the new regulatory program created by the bill. These permits are separate from the surface and in-stream mining permits issued under current law. The Chief of the Division is authorized to establish a permit fee by rule. As the number of underground operations that will be subject to the new permit requirement is currently unknown, the amount of new revenue the Division may collect from these permits is uncertain. For context, the Division currently charges an application fee of $500 or $250 for new surface mining permits and in-stream permits respectively, plus $75 for each acre that will comprise the area of land to be affected in the first year of operation under the permit.

The bill also eliminates the requirement for permit renewals under current law for surface and in-stream mining operations. Presently, these operators must renew their permits periodically[1] and pay a fee of $1,000 for surface mining permits and $500 for in-stream mining permits. Eliminating this requirement will reduce ongoing revenue from permit renewal fees. The extent of the revenue loss will depend on the number of permits that would have otherwise been renewed each year. Finally, the bill allows the Chief to require a filing fee to accompany the annual report underground mine operators must submit under the bill.

Taken together, it is unclear what the total effect on fee revenue these changes would have. In any case, the overall effect would be small as permit and other fee revenue accounts for only a small portion of the Division's total revenue.

Timely response to hydrology modeling requests and issues

Uncodified law included in S.B. 181 requires a portion of the increased severance taxes on industrial minerals to be used to timely respond to hydrology modeling requests and issues. Under the bill the amount to be used for this purpose is determined by the Chief.

Other provisions with little or no apparent fiscal effect

The bill makes other changes regarding civil penalties, appeals processes, and permit revocations that appear to have little or no fiscal effect. Please see the LSC bill analysis for details about these provisions.

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[1] Under current law, surface mine permits expire 15 years after the date of issuance or after the Chief orders the release of any remaining performance bond deposited to assure reclamation, whichever is earlier. In-stream mine permits expire five years after issuance or the Chief's order releasing surety, whichever is earlier.