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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**H.B. 307**  
**136<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for H.B. 307's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsors:** Reps. Jarrells and Robb Blasdel

**Local Impact Statement Procedure Required:** Yes

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### **Highlights**

- Local public water systems will be required to identify and replace lead service lines for a statewide estimated cost of \$16.1 billion over 15 years. Costs may be offset by grant and loan funding, and allowable cost recovery methods such as rates, rents, charges, or other amounts imposed on system customers.
- The Ohio Environmental Protection Agency will likely experience significant administrative costs to implement and administer the Lead Service Line Replacement Program including additional staffing. The Agency will also incur several one-time and other ongoing expenses to develop rules, maintain and publish a public database of lead service lines, and development and administer a training and certification program.
- The Office of the Attorney General may experience additional costs for pursuing certain enforcement actions under the Lead Service Line Replacement Program.

### **Detailed Analysis**

The bill requires the Ohio Environmental Protection Agency (Ohio EPA) to establish a lead service line replacement program with the purpose and goal of replacing all lead service lines in the state within 15 years after the effective date of the bill. Under the program, owners or operators of a public water system (PWS) will be required to identify and remove all lead service lines connected to the system. Costs to a PWS for line identification, removal, and replacement may be offset to some degree by state grant and loan opportunities or by rate or fee increases to system customers. According to a report by the United States Environmental Protection Agency (U.S. EPA) published in April 2023, Ohio had an estimated 745,061 lead service lines

(approximately 8.1% of all service lines) with a projected cost of \$16.1 billion to replace them all.<sup>1</sup> Because some PWSs are currently replacing lead service lines or have replaced lead service lines since U.S. EPA's estimate was produced, the overall cost and number of outstanding service lines to be replaced may be lower.

## Lead Service Line Replacement Program

Under the bill, Ohio EPA is required to:

- Establish a lead service line replacement program including the adoption of rules to implement the program within one year of the bill's effective date;
- Oversee lead service line replacement plans which must be submitted to the Agency by a PWS within three years, and verify the accuracy of reported lead line inventories;
- Provide customer service support to those participating or attempting to participate in the program;
- Collaborate with local authorities to identify grant programs that can provide resources to a PWS for the purpose of funding lead service line replacement;
- Establish a training and certification program for PWS owners and for contractors and plumbers hired by PWS owners regarding best practices for lead service line replacement;
- Post on the Agency's website (1) other sources of funding available to PWSs for lead service line replacement, and (2) a publicly available database using the data submitted in lead service line replacement plans and any other available mapping information that PWSs and the public may use to track and identify lead service line replacement; and
- Take any other actions necessary for the administration of the program.

### Fiscal impact

Ohio EPA is likely to see a significant increase in administrative costs, including some number of additional staff, to establish and implement a lead service line replacement program including the review and oversight of all plans as described below. These costs will be annual for as long as the program lasts, at least 15 years or more. The Agency will also incur several one-time and other ongoing expenses to develop rules, maintain and publish a public database of lead service lines, and development and administer a training and certification program.

### Lead service line replacement plans

Not later than three years after rules are adopted, PWS owners are required to submit a lead service line replacement plan to Ohio EPA and then to update the plan annually. A PWS under continuing law is defined as a system that provides water for human consumption to at least 15 service connections or serves an average of at least 25 people for at least 60 days each year. This includes water used for drinking, food preparation, bathing, showering, tooth brushing, and dishwashing. Public water systems range in size from large municipalities to small churches and restaurants relying on a single well. According to Ohio EPA, there are around 4,400 PWSs in Ohio.

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<sup>1</sup> U.S. EPA. "[Fact Sheet: 7<sup>th</sup> Drinking Water Infrastructure Needs Survey and Assessment April 2023 \(PDF\)](#)."

Under the bill, the plan is required to include (1) information regarding whether there are lead service lines connected to the public water system, (2) a water distribution system material inventory of all service lines including the number and location of lead service lines, (3) the number of lead service lines planned to be replaced over the course of the 15 years of the program, including a description and map showing the locations of the lead service lines planned to be replaced in each year and a description of how the lead service lines were prioritized, and (4) any other information required by the adopted rules.

For each plan submitted, Ohio EPA is required to verify the accuracy of the submitted inventories, and approve or disapprove the plan. If Ohio EPA rejects a plan, the Agency is required to issue an order requiring the owner of a PWS to submit a corrected plan and to indicate in the order which portions of the plan must be corrected. In cases when Ohio EPA determines that a corrected plan does not meet the requirements, Ohio EPA may adopt a plan on behalf of the owner or operator of a PWS.

A PWS owner or operator is prohibited from failing to submit a lead service line replacement plan and from failing to implement a plan. A PWS is not eligible for state grants for the replacement of lead service lines unless the system is properly implementing an approved plan.

### **Fiscal impact**

Costs to government-operated PWSs to identify and replace lead service lines are likely to be significant. Many PWSs may already have identified and replaced lead service lines or be in the process of identifying and replacing such lines. The impact on any single PWS is not readily quantifiable and is dependent on the number of lead service lines which need to be replaced. Costs may be offset by the recovery of costs through rates, rents, charges, or other amounts imposed on water system customers which are permitted under the bill.

### **Penalties**

#### **Safe Drinking Water Law**

Under existing law, a PWS which violates the state's Safe Drinking Water Law, such as properly implementing a plan under the bill, the system owner is subject to a fine of not more than \$25,000 for each violation payable to the credit of the Drinking Water Protection Fund (Fund 4K50). The Attorney General is required to bring an action for the penalty against a violator when requested by Ohio EPA.

Likewise, if a PWS owner recklessly or knowingly fails to properly implement a plan, that constitutes a violation of the Safe Drinking Water Law. A violation is a misdemeanor and is subject to a fine of up to \$10,000 or imprisonment for not more than four years, or both. If the violation poses a significant threat to or causes significant harm to public health, the system owner is guilty of a felony and is subject to a fine of up to \$25,000 or imprisonment for not more than four years, or both. Each day of a violation constitutes a separate offense.

#### **Prevailing Wage Law**

The bill makes an owner or operator of a PWS undertaking a project to remove or replace a lead service line pursuant to the Lead Service Line Replacement Program subject to the Prevailing Wage Law. An employer who violates the Prevailing Wage Law may be investigated by the Department of Commerce. If a violation exists, the Department is required to bring any legal action necessary to collect any amounts owed to employees. Additionally, a person who commits

a violation is guilty of a second degree misdemeanor punishable by a fine of up to \$750 and not more than 90 days in jail on the first offense, or a first degree misdemeanor on each subsequent offense, punishable by a fine of up to \$1,000 and not more than 180 days in jail.

Under existing law, a public official who fails to ascertain prevailing rates of wages and any member of a public board, commission, or other public authority who votes to award a contract without ascertaining the prevailing rates of wages is liable for a fine of not less than \$25 and not more than \$500.

### **Fiscal impact**

It is reasonable to assume that most PWSs will follow state law, and the overall number of violations will be relatively low. The resulting impact on the workload of local civil and criminal justice systems, the Department of Rehabilitation and Correction, the Department of Commerce, and the Ohio Attorney General is likely to be low and addressed with existing staff and appropriated resources. Fine revenue from violations is also likely to be minimal.

### **Drinking Water Assistance Fund**

The bill permits the Water Supply Revolving Loan Account (WSRLA), established under the Drinking Water Assistance Fund, to be used to provide financial assistance to PWSs for the purpose of replacing lead service lines. Currently, loans can be made from the account only for improvements to community water systems and nonprofit noncommunity public water systems. The WSRLA is managed by Ohio EPA with assistance from the Ohio Water Development Authority. The WSRLA provides below-market rate loans to public water systems for the planning, design, and construction of improvements. The WSRLA is funded with federal capitalization grants, loan repayments, and bond proceeds.

In FY 2024 the WSRLA awarded 148 loans for a total of \$302.9 million for all allowable purposes. From 2022 through 2024, the WSRLA received a total of \$403 million in funding from the federal Bipartisan Infrastructure Law (BIL) for lead service line replacement and Ohio EPA expects the WSRLA to receive an additional \$402 million in 2025 and 2026 for a total of \$805 million over five years.

### **Permissive provisions**

In addition to the bill's requirements, it includes provisions which allow a township, village, municipal corporation, conservancy district, county, sanitary district, or regional water and sewer district that operates a PWS to (1) replace nonlead service lines when mandated by law or regulation, (2) reimburse a customer who replaced lead or nonlead service lines, and (3) to recover the costs of replacement and replacement reimbursement. These provisions do not grant the same authority to a public water system that is a water-works company that is a public utility subject to Public Utilities Commission of Ohio (PUCO) regulation.