OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 219
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 219's Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Landis

Local Impact Statement Procedure Required: No

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Highlights

- The bill creates the Oil and Gas Resolution and Remediation Fund (OGRRF) to pay expenses of plugging oil and gas wells, and to protect human life and safety and the environment. OGRRF would be primarily funded by cash transfers from the Oil and Gas Well Fund (Fund 5180).
- The Ohio Department of Natural Resources (ODNR) may incur additional administrative costs for permitting and inspecting wells that cross state lines, and for issuing expedited drilling permits under the bill. These costs could be at least partially offset by permit fees.
- The bill makes road use agreements voluntary and exempts certain heavy haulers from the need to obtain heavy hauling permits. The Ohio Department of Transportation (ODOT) and local governments could incur lost revenue used to repair and maintain roads.
- Exemptions from the public utility tax for certain natural gas gathering operations would likely result in only a slight loss of revenue deposited to the GRF.

Detailed Analysis

Oil and Gas Resolution and Remediation Fund

The bill establishes the Oil and Gas Resolution and Remediation Fund (OGRRF), a custodial fund to be used by the Chief of the Division of Oil and Gas Resources Management to plug orphaned wells and cover expenses critical to protecting human health, safety, and the environment from oil and gas production. The bill is likely to increase the funds available for these purposes, because, unlike the Oil and Gas Well Fund (Fund 5180), OGRRF is a custodial fund, not subject to or limited by appropriations, and its full balance would be accessible for use at any time.

OGRRF would be funded primarily by cash transfers from Fund 5180. At the start of each fiscal year, the Treasurer of State would transfer to OGRRF the amount in Fund 5180 exceeding its appropriations for that year. Based on Fund 5180's October 20, 2025 balance of $229.9 million and FY 2026-FY 2027 appropriations of $79.0 million and $79.8 million, the initial transfer to seed OGRRF would likely exceed $150.0 million. Fund 5180 generates roughly $71.4 million in annual revenue on average. Additional revenue for OGRRF would come from filing fees for exempt domestic or Mississippian wells and amounts collected from corrective action orders issued for plugging wells under the bill.

Interest earned on OGRRF would remain in the fund and could be used for any ODNR-related purpose, subject to written approval of the Technical Advisory Council on Oil and Gas.

ODNR administrative duties

Authority to regulate cross-state wells

The bill could result in increased administrative costs for ODNR associated with regulating wells that extend across state lines. Under the bill, any well with a portion located in Ohio, regardless of whether other portions are outside Ohio, would require a permit from the Division of Oil and Gas Resources Management. This expands the number of wells subject to oversight, potentially increasing staff time for application review, inspections, and permit issuance. Permit fees collected for these applications are deposited into Fund 5180 and would at least partially offset the added administrative costs.

Expedited drilling permit review

The bill could also affect ODNR administrative costs by changing the handling of expedited drilling permit applications. Under current law, the Chief may refuse to accept requests for expedited review if doing so would prevent the timely issuance of pending permits. The bill eliminates this authority, requiring that all eligible expedited applications be processed. The bill allows well owners to submit up to ten expedited permit requests per year, with each request subject to a $250 nonrefundable filing fee. The additional revenue from expedited fees could at least partially offset the increased administrative workload, which includes notifying county engineers and issuing permits within seven days of a request. The overall fiscal effect will depend on the number of expedited applications submitted annually.

Road use agreements and heavy hauling permits

The bill could result in uncertain fiscal effects for the state and political subdivisions related to road maintenance and heavy hauling associated with horizontal well operations. The bill makes road maintenance and safe use agreements (RUMAs) voluntary rather than mandatory. As a result, local governments and the Ohio Department of Transportation (ODOT) may no longer be guaranteed compensation for road wear or damage caused by oversized or overweight loads. Additionally, an exemption from special regional heavy hauling permits, under the bill, could reduce permit revenue that would otherwise help offset road maintenance costs. The overall fiscal impact depends on whether voluntary agreements are executed and the frequency of heavy haul activity. The fiscal effect could range from minimal if agreements are voluntarily executed or if permits are issued, to moderate or significant if roads are used without compensation.

Under current law, horizontal well permit applicants must enter into RUMAs or attempt in good faith to do so, ensuring that local governments or ODOT can recover costs for road impacts. RUMAs typically establish maintenance obligations, duration, and compensation for road use, while special regional heavy hauling permits provide additional revenue. The bill allows voluntary agreements to terminate within three years, though they may be renewed in successive periods not exceeding three years.

By shifting discretion to political subdivisions and ODOT, the bill creates variability in fiscal outcomes. Costs for road repair could fall partially or entirely on the state or local governments if agreements are not executed. Conversely, where voluntary RUMAs are negotiated, or if permit fees continue to be collected, some or all costs could be offset. The precise fiscal effect is uncertain and will depend on local uptake of voluntary agreements and the volume of heavy haul activity.

Natural gas gathering tax exemption

The bill could result in a slight reduction in public utility tax revenue. It exempts certain natural gas gathering operations from the public utilities tax if the operation gathers more dekatherms than it purchases from nongathered sources in a calendar year. Overall, any lost revenue deposited to the GRF is expected to be negligible. Under the bill, the tax exemption would begin in tax year 2027.

Provisions with no apparent fiscal effect

The bill makes other changes that affect well owners and the statute of limitations involving oil and gas lease termination actions. These provisions appear to have little or no fiscal effect for the state or political subdivisions. Additional details can be found in the LSC bill analysis.

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