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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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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 Reported by Senate Energy

Primary Sponsor: Sen. Landis

Local Impact Statement Procedure Required: No

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Highlights

- The bill provides protections against executive branch efforts to transfer cash from the Oil and Gas Well Fund (Fund 5180) to other state funds for alternative uses.
- The bill redirects revenue from the fee that injection well owners pay (5¢ or 20¢ per barrel of injected substance depending on the origin of the substance) from Fund 5180 to the county or counties in which the fee generating injection well is located. Over the past five years this fee has generated between \$2.0 million and \$2.5 million annually.
- The Ohio Department of Natural Resources (ODNR) may incur additional administrative costs from changes to a variety of administrative duties under the bill. These costs could be at least partially offset by permit fees and the sale of carbon credits.
- State agencies could benefit from bonus payments and shut-in provision payments in standard oil and gas leases. Any additional revenue will depend on specific terms of executed leases.
- Costs incurred by the state or counties for road repairs because of a horizontal well operator's heavy hauling activities would be at least partially offset under the bill.
- The bill creates an accounting procedure directing mineral royalty payments received from the federal government to the counties attributable to the payments. The state receives an average of about \$834,000 per year in federal mineral royalty payments.
- 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 Well Fund

Protections against cash transfers for other uses

The bill amends H.B. 96, the main operating budget act for the FY 2026-FY 2027 biennium, to provide protections against executive branch efforts to transfer cash from the Oil and Gas Well Fund (Fund 5180) for other uses. Specifically, it requires the fund to be used solely and exclusively for the purposes enumerated in current law (which are largely to plug orphaned wells), for the administrative expenses of the Division of Oil and Gas Resources Management, and for expenses that are critical and necessary for the protection of human health and safety and the environment related to oil and gas production in Ohio.

The bill explicitly states that certain sections of the operating budget and any other provision of law to the contrary that could potentially grant the authority to the Office of Budget and Management (OBM) or the Controlling Board to transfer money from Fund 5180 to any other fund or appropriation item or for judgments and settlements unrelated to the Division are not enforceable or effective. As of November 19, 2026, Fund 5180 held a cash balance of just over \$222.0 million.

Injection fee proceeds

The bill redirects the proceeds of the fee that injection well owners pay to Fund 5180 in current law to the county (or counties) in which the fee-generating injection well is located. This will result in a transfer of revenue from Fund 5180 to counties totaling a few million dollars annually. Between FY 2022 and FY 2025, injection well fees produced revenue averaging \$2.4 million per year.

Under continuing law, injection well fees are based on the amount of substance being injected into the well. The fees are 5¢ per barrel of each substance that is injected when the substance is produced within the regulatory district in which the well is located or within an adjoining district or 20¢ per barrel of each substance that is injected when the substance is not produced within a regulatory district or within an adjoining regulatory district in which the well is located. Additionally, under current law, the fee can be imposed only on the first 500,000 barrels of substance injected. The bill requires the injection well owner to forward all injection fees to the Chief of the Division of Oil and Gas Resources Management, who must then transmit all money received to the Treasurer of State. The Treasurer must disburse the money to the county treasurer of the county in which the injection well is located. If the well is in more than one county, the Treasurer must disburse the money equally to the county treasurer of each receiving county, and the county treasurer must deposit the money into the county's general fund.

ODNR administrative duties

The bill makes several changes to administrative functions carried out by the Division of Oil and Gas Resources Management. Taken together these changes have an uncertain fiscal effect. It is likely that the Division will incur some new costs. However, any new costs could be at least partially offset via revenue generated through permit fees or the sale of carbon credits.

Examples of administrative changes made by the bill include: (1) granting the Division the authority to regulate and permit any portion of an oil and gas well located in Ohio, even if another

portion of the well is located outside the state, (2) granting the Division ownership rights to carbon credits for any orphaned well plugged using state or federal money and allowing the Chief of the Division of Oil and Gas Resources Management to enter into arrangements to obtain or to sell carbon credits, (3) changes to the expedited drilling and plugging permit review procedures, (4) changes to oil and gas orders appeals and procedures, and (5) changes to notification procedures regarding orphaned wells. For more details about these and other administrative functions modified by the bill please see the [LSC bill analysis](#).

State land oil and gas leases

The bill makes changes to the terms of the standard oil and gas lease used by state agencies that may result in additional revenue. First, the bill requires the standard lease to include an option to extend the primary term of the lease for an additional five years, instead of three years under current law by tendering to the state agency the same bonus paid when first entering the lease. The bill also requires the standard lease to include a shut-in royalty provision, which is a lease term that allows the lessee to maintain the lease by making specified “shut-in” royalty payments on a well even if well production is halted. The payments made under the provision must be no less than \$5,000 per month and \$60,000 per calendar year. Total additional revenue under these changes will depend upon the terms agreed to under an oil and gas lease.

The bill also creates specific provisions that must be included in the standard lease. Taken together, these requirements do not appear to have a direct fiscal effect. They could however result in a delay of payments received by the state. For full details please see the [LSC bill analysis](#).

Road use agreements and heavy hauling permits

The bill creates options for operators of horizontal wells related to heavy hauling permits and road maintenance and safe use agreements (RUMAs) while appearing to protect the state and counties from unreimbursed costs to repair roads because of heavy hauling. Under the bill, operators of horizontal wells have three options. They could (1) obtain special regional hauling permits when operating a vehicle or hauling a load that exceeds current law road weight limits as under current law, (2) enter a voluntary RUMA with an applicable local government, or (3) submit an affidavit attesting that they made a good faith effort but failed to enter a RUMA and be exempt from needing a special regional hauling permit. However, for the exemption to apply, the operator must provide a bond, not to exceed more than \$30,000 per mile, when required by a county engineer and provide certain information to the county engineer every two months when a seasonal weight restriction applies. It is unclear if the counties and state would be held harmless under option (3) above, but any costs incurred by the state or counties could be at least partially offset through forfeited bonds.

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.

Federal Mineral Royalty Clearing Fund

The bill creates a specific procedure for the receipt and disbursement of mineral royalty payments received from the federal government. Between FY 2017 and FY 2025, these payments averaged about \$834,000 per year. Under the bill, the Treasurer of State would deposit all federal mineral royalties into the newly created Federal Mineral Royalty Clearing Fund, a custodial fund not subject to appropriations. The bill requires the Director of Budget and Management, within 30 days of each deposit, to transfer payments to each county where a federal mineral royalty is attributable.

Under the current procedures, mineral royalty payments received from the federal government are deposited into either the federal Forest Pass-Through Fund (Fund 3B30) or the federal Flood Pass-Through Fund (Fund 3B40), both overseen by the Ohio Department of Natural Resources (ODNR), depending on the location attributable to the mineral royalties received. Fund 3B30 receives mineral royalty payments from national forest lands. It also receives a portion of the proceeds from the sale of timber products from national forests. In addition to these payments, Fund 3B30 receives grants from the U.S. Department of Agriculture under their Secure Schools grants. Fund 3B40 receives mineral royalties from land leased by the federal government that is not in a national forest, for example, flood plains leased by the U.S. Army Corps of Engineers. Money received by ODNR in these funds is then disbursed to the counties attributable to the payments received.

The bill also clarifies that a federal mineral royalty is not a forest product and therefore not subject to distribution in the same manner as money received by the state from the sale of national forest timber and other national forest products. Generally, revenue deposited to Fund 3B30 is considered forest product revenue and distributed consistent with R.C. 1503.35.