Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

H.B. 349
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 349's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Barhorst and Jones

Local Impact Statement Procedure Required: No

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Highlights

- The bill appropriates $20.0 million in FY 2024 to the Department of Development (DEV) from the Pipeline Easement Revolving Loan Fund (Fund 5YK0) to provide loans to local governments and other entities for the purchase or lease easements for the development of natural gas pipelines. Funding to support Fund 5YK0 is made via a cash transfer from the Facilities Establishment Fund (Fund 7037).
- The bill also authorizes loans under the existing 166 Direct Loan and the Enterprise Bond Fund Loan Programs to support local government acquisition of pipeline easements.
- Local taxing districts would incur no revenue loss, if the natural gas infrastructure was only placed into service in response to the EnergizeOhio Zone designation. Otherwise, the revenue loss would be permissive for those political subdivisions that approved the property tax reduction.

Detailed Analysis

The bill creates various incentive programs for the development of natural gas pipelines and related infrastructure including loan programs and a personal property tax reduction which will result in increased expenditures for the Department of Development (DEV) and foregone revenue for taxing districts. A discussion of these fiscal effects is provided under the headings below.

Pipeline easement loan programs

The bill establishes the Pipeline Easement Revolving Loan Program under which local governments and other entities can borrow money for the purchase or lease of easements for natural gas pipelines located within an EnergizeOhio Zone. EnergizeOhio Zones are locally designated areas, approved by the Director of Development, in which a lack of natural gas infrastructure is an impediment to economic development. Under the bill, loans are supported by the Pipeline Easement Revolving Loan Fund (Fund 5YK0), which the bill creates. Fund 5YK0 receives revenue from cash transfers from the Facilities Establishment Fund (Fund 7037). The bill requires the Director of Budget and Management to make an initial cash transfer from Fund 7037 of $20.0 million on the bill's effective date, and appropriates that amount in FY 2024 under Fund 5YK0 appropriation item 1956A6, Pipeline Easement Loans. The bill does not include appropriations for FY 2025.

The bill also allows the purchase or lease of a natural gas pipeline easement in an EnergizeOhio Zone to qualify for funding under two existing bond-funded programs, the 166 Direct Loan Program, and the Enterprise Bond Fund Program. In the 166 Direct Loan Program, loans are provided directly from Fund 7037. Under the Enterprise Bond Fund Program, funding is provided via project-specific bonds issued by the Treasurer of State.

Taxation of natural gas company personal property

Natural gas property placed into service in an EnergizeOhio Zone qualifies for beneficial tax treatment by accelerating the applicable depreciation schedule and reducing the true value by 75%. The bill specifies that the resulting tax values will apply to the first ten years after the property is placed into service. Continuing law subjects this type of infrastructure to the public utility personal property tax. If the bill spurs development that would not occur but for the EnergizeOhio Zone tax incentive, there is no revenue loss to local taxing authorities. Otherwise, the bill creates a permissive revenue loss for those political subdivisions that approve the EnergizeOhio Zone designation.

The following illustrative example describes the magnitude of a project possibly resulting from the bill. Should a county board of commissioners designate their county as an EnergizeOhio Zone, a natural gas company might propose a 16-mile pipeline for the county, inclusive of 12 miles of 24-inch diameter pipe and four miles of 16-inch diameter pipe. The project could cost nearly $95 million, and the true value can be assumed to be equivalent to this capitalized cost less annual depreciation allowances. If the company placing property into service is primarily a natural gas utility, the annual assessment rate would be 25% of true value, and the pipeline would have a 30-year useful life. By assuming a 7% tax rate (i.e., the aggregate voted millage rate for all property taxes levied is 70 mills), the owners of the new pipeline would pay about $2 million in total property taxes over the ten years that the EnergizeOhio designation applies to the pipeline. If not for the EnergizeOhio tax provision, owners of a comparable pipeline would pay nearly $14 million over that same duration.

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