



Ohio Legislative Service Commission

Russ Keller

Fiscal Note & Local Impact Statement

Bill: S.B. 232 of the 128th G.A.

Date: March 8, 2010

Status: As Introduced

Sponsor: Sen. Widener

Local Impact Statement Procedure Required: Yes

Contents: To exempt from property taxation renewable energy facilities that are not financed through the Ohio Air Quality Development Authority and to require a payment in lieu of taxes on the basis of each megawatt of production capacity of such facilities

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
Counties			
Revenues	- 0 -	Potential loss up to several million dollars based on current applications to the Power Siting Board	Potential loss up to several million dollars based on current applications to the Power Siting Board
Expenditures	- 0 -	- 0 -	- 0 -
Other Local Governments			
Revenues	- 0 -	Potential loss up to several million dollars based on current applications to the Power Siting Board	Potential loss up to several million dollars based on current applications to the Power Siting Board
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill would exempt a renewable energy facility from the public utility tangible personal property tax if it files an application with the Power Siting Board and begins construction between January 1, 2010 and December 31, 2011. The facility must be operational before the end of 2012 in order to qualify and several other requirements are necessary to maintain the property tax exemption.
- At least six facilities with the potential to generate about 1,100 megawatts from renewable wind energy sources and with applications pending before the Power Siting Board may establish facilities in Ohio.
- A \$5,000 or \$6,000 service payment in lieu of taxes will be made for each megawatt of name plate capacity. The payment will be allocated to counties, school districts,

and local governments in the same manner that public utility tangible personal property is disbursed. The service payment would offset part of the revenue loss incurred from foregone tangible property and real property taxation exemption.

Detailed Fiscal Analysis

S.B. 232 provides an exemption from real and tangible personal property taxes and assessments for an exempt energy air quality facility certified by the Ohio Air Quality Development Authority (OAQDA). The bill defines an "exempt energy air quality facility" as any renewable energy project under the OAQDA law for which an application is filed with the Power Siting Board, or upon which construction or installation is commenced, on or after January 1, 2010, but on or before December 31, 2011. The facility must be placed in service on or before December 31, 2012.

S.B. 232 requires the OAQDA to certify that the construction and operation of an exempt energy air quality facility creates and maintains the number of jobs during construction and each year that the facility is in service that are projected by the Job and Economic Development Impact (JEDI model) defined in the bill.

The certified exempt energy air quality facility is required to pay annual service payments in lieu of taxes to the treasurer of the county where the facility is located in an amount equal to \$6,000 (or \$5,000 if owned by a public utility) per megawatt of name plate capacity. The bill also requires the facility to offer to sell power or renewable energy credits first to electric distribution utilities and electric service companies subject to the alternative energy portfolio requirements of current law before offering the power and credits to others. Other requirements apply including restoring roads affected by facility construction, and providing training and equipment to fire and emergency responders where the facility is located.

Fiscal effect

According to the sponsor testimony, which utilizes information from the Wind Energy Association, a 100 megawatt (MW) commercial wind facility could have a personal property tax liability of approximately \$4 million and a real property tax of about \$200,000. If the proposed legislation is enacted, such a facility would make a \$600,000 payment in lieu of the public utility tangible personal property and real property taxes, but counties and other local governments would forego future payments for the property taxes.

Currently, Ohio does not have any renewable energy facilities that would qualify for the property tax exemption. However, six wind facilities (Table 1 below) have applications pending before the Power Siting Board. Assuming the applications are approved, these facilities may qualify for the tax exemption if they were put into service before January 31, 2012. If all six wind facilities are put into service with the maximum estimated generating capacity, it would yield up to \$6 million in annual revenue to the

counties from payments in lieu of taxes, which would offset the \$1 million to \$2 million loss in real property tax revenue that the county treasurers might currently be collecting on those lands where wind facilities are proposed to be built. But the bill's exemption from public utility tangible property taxes would eliminate millions in additional property tax revenue that would have been raised if those projects had been undertaken in the absence of the bill.¹

Table 1: Wind Projects with Cases Pending Before the Ohio Power Siting Board ²

Case No.	Project (County)	Company	Generating Capacity (Est.)
08-0666-EL-BGN	Buckeye Wind Project (Champaign)	Buckeye Wind, LLC, a subsidiary of EverPower Wind Holdings, Inc.	125 to 175 MW
09-0277-EL-BGN	Hardin County North Wind Farm (Hardin)	JW Great Lakes Wind, LLC, a subsidiary of juwi Wind GmbH	50 MW (approx.)
09-0479-EL-BGN	Hardin Wind Farm (Hardin)	Hardin Wind Energy, LLC, a subsidiary of Invenergy LLC	300 MW
09-0546-EL-BGN	Black Fork Wind Project (Crawford and Richland)	Black Fork Wind LLC	201.6 MW
09-0980-EL-BGN	Timber Road Wind Farm (Paulding)	Paulding Wind Farm, LLC, a subsidiary of Horizon Wind Energy	48.6 MW
09-1066-EL-BGN	Blue Creek Wind Farm Project (Paulding and Van Wert)	Heartland Wind, LLC, a subsidiary of Iberdrola Renewables	Up to 350 MW

Although the six projects are all wind facilities, wind projects are not the only renewable energy facilities that would qualify for the exemption. The total number of projects that may qualify for the tax exemptions is potentially larger than the six facilities mentioned above, including nonwind renewable energy facilities. The net fiscal effect on local governments may vary from the example above based on the type of facilities and the tangible personal and real property taxes in the counties where those projects may be located.

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¹ Property tax estimate made using examples provided in the sponsor testimony, which utilized information from participating companies and trade associations.

²Source: <http://www.opsb.ohio.gov>.