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H.B. 7
133rd General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by Senate Finance

Primary Sponsors: Reps. Ghanbari and Patterson

Local Impact Statement Procedure Required: No

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Highlights

- The Department of Agriculture, in particular the Division of Soil and Water, may incur additional expenses to hire full-time watershed planning and management coordinators to run the Statewide Watershed Planning and Management Program created under the bill. Pay and fringe benefits costs would be between \$69,000 and \$83,000 per coordinator annually. These costs will be paid from GRF line item 700428, Soil and Water Division.
- The bill requires the Department to establish a pilot program that assists farmers, agricultural retailers, and soil and water conservation districts in reducing phosphorus and dissolved reactive phosphorous in a watershed to be determined by the Department. The program would be supported by appropriations under the Department's budget that fund water quality initiatives.
- The bill permits regional water and sewer districts to offer discount billing to any person who is of low or moderate income or qualifies for the homestead exemption, eliminating the current law restriction limiting discounts only to those meeting these criteria and who are 65 or older. Presumably, a regional water and sewer district would expand its customer discount program only in cases where the district's finances would enable it to do so.
- The bill modifies the requirements that land used in biofuel production must meet in order to be valued for property tax purposes at its current agricultural use value (CAUV). As a result, there could be a potential revenue loss to some political subdivisions.

Detailed Analysis

Statewide Watershed Planning and Management Program

The Division of Soil and Water Conservation within the Department of Agriculture may incur additional costs to administer the Statewide Watershed Planning and Management Program created by the bill. Specifically, the bill requires the Department to appoint at least one watershed planning and management coordinator in each of the seven watershed regions established by the bill to coordinate watershed planning. It is unclear if the Department would hire these coordinators or if the Department would appoint an employee from a soil and water conservation district (SWCD) in the region or another individual at the local level to fulfill this role. Any costs that SWCDs would incur would be paid from funds raised by SWCDs. This local money is matched by the state pursuant to a formula adopted by the Ohio Soil and Water Conservation Commission. State matching funds are appropriated under GRF line item 700509, Soil and Water District Support, and Dedicated Purpose Fund 5BVO line item 700661, Soil and Water Districts.

Currently, the Division of Soil and Water Conservation has a staff roster of 26 full-time and three intermittent employees and does not have the staff to assign as watershed planning and management coordinators in each of these regions as required by the bill. If the Division would need to hire employees to serve as watershed planning and management coordinators, the new employees would be hired as natural resource administrators. Based on the state's employee classification plan, if coordinators are hired at the starting annual salary of approximately \$54,000 for a Natural Resources Administrator 1, it will bring the Department's potential payroll costs to between \$69,000 and \$83,000 per employee. This includes \$7,600 (14% of annual salary to cover the employer's share of retirement) and the employer's share of health insurance (\$7,830 for single coverage or \$21,494 for family coverage under the state's traditional health plan). The Division is funded by GRF line item 700428, Soil and Water Division. In FY 2020, \$3.5 million was spent under this line item.

As noted above, some or most of this additional payroll cost could be avoided if, instead of hiring these watershed planning and management coordinators, the Department is able to appoint local SWCD employees or other local officials to carry out this function. If so, then these political subdivisions would bear some additional administrative burden.

Watershed planning for soil and water conservation districts

The bill requires watershed planning and management coordinators to help with certain tasks in each of the seven watershed regions. This includes working with each soil and water conservation district in identifying sources and areas of water quality impairment and engaging in watershed planning, restoration, protection, and management activities. These functions closely resemble those that SWCDs use currently in preparing nine-element plans which outline a soil and water district's strategy for addressing water quality issues. The plans are used to secure additional state and federal funding for a community's watershed protection and restoration plans, including steps to address nonpoint source pollution. Federal funding would be from the Clean Water Act or the Great Lakes Restoration Initiative. Based on estimates from the Department, the cost of developing these plans can range from \$15,000 to \$20,000 according to the size and location of the watershed.

Watershed pilot program

The bill allows the Department, in consultation with the Lake Erie Commission and the Ohio Soil and Water Conservation Commission and the Ohio State University Extension, to establish a pilot program that assists farmers, agricultural retailers, and soil and water conservation districts in reducing phosphorus and dissolved reactive phosphorus in a watershed to be determined by the Department. Funding under the program will be provided by appropriations under the Department's budget that support water quality initiatives.

The bill includes a list of specific purposes for which state funding for the pilot program may be used. The list includes but is not limited to, the following: (1) equipment for subsurface placement of nutrients into the soil, (2) equipment for nutrient placement based on geographic information system data, (3) soil testing, (4) implementation of variable rate technology, (5) equipment involved with manure transformation and manure conversion technologies, (6) tributary monitoring, (7) water management and edge-of-field drainage management strategies, and (8) implementation of nutrient best management practices according to data collected by soil and water conservation districts under the bill.

Water quality best practices certification program

Additionally, the Department may incur costs to ensure that assistance and available funding are provided for farmers who participate in a certification program that uses practices designed to minimize impacts of water quality. The bill states that it is the General Assembly's intent to collaborate with both of the following to establish the certification program for farmers: (1) organizations representing agriculture, conservation, and the environment, and (2) higher education institutions engaged in water quality research. Consequently, the Department may bear some additional cost to ensure that assistance and available funding is provided to farmers who participate in such a program.

Regional water and sewer districts

The bill also contains three provisions that affect regional water and sewer districts. One of these provisions gives regional water and sewer districts the authority to offer discounted rentals or charges to any person who is of low or moderate income or qualifies for the homestead exemption. Currently, these discounts may only be offered to those who are 65 or older who meet these criteria. Presumably, regional water and sewer districts would implement these expanded discount programs in cases where their finances would allow it. The bill also expands a district's authority to make grants and loans to and enter into cooperative agreements with a person instead of only political subdivisions as under current law. Lastly, the bill allows loans and grants made by the district to be used for the design of water resource projects. Under current law, loans and grants can only be used for acquisition and construction.

CAUV eligibility of land used for biofuel production

The bill modifies the requirements that land used in biofuel production must meet in order to be valued for property tax purposes at its current agricultural use value (CAUV). Specifically, the bill provides that at least 50% of the feedstock must be agricultural feedstock (manure or food waste), and at least 20% of the agricultural feedstock must be derived from the owner's land and specifies that none of that feedstock can include human waste. Under current law, at least 50% of the farm's biofuel feedstock must be derived from the owner's

farmland. As a result, the bill would make it easier for a biofuel production facility to qualify for CAUV status, and therefore the amendment might reduce property tax revenues for some political subdivisions. The magnitude of such loss is unknown.