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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 264
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 264's Bill Analysis](#)

Version: As Reported by Senate Energy & Public Utilities

Primary Sponsors: Reps. Wilkin and O'Brien

Local Impact Statement Procedure Required: No

Jamie Duskocil, Fiscal Supervisor, and other LBO staff

Highlights

- The bill could result in an indirect fiscal effect on the Ohio Water Development Authority if additional loans are requested to be financed or refinanced by local governmental entities.
- Local government borrowers who refinance loans for public waste water and water management facilities could experience significant cost savings in terms of lower interest paid on existing and future loans.
- The bill provides for payment, up to \$300,000 annually from FY 2020 to FY 2028, for the Ohio Air Quality Development Authority's administrative costs under the law governing nuclear resource and renewable energy credits. The spending plans are subject to approval by the Controlling Board.

Detailed Analysis

Ohio Water Development Authority

Current law allows the Ohio Water Development Authority (OWDA)¹ to make loans and grants to persons and governmental agencies, but only for the acquisition or construction of waste water or water management facilities. Existing loans and grants cannot be refinanced under current law since the loans have been pledged to existing bonds. Consequently, OWDA's

¹ OWDA is a bond-issuing authority created by the state of Ohio to provide financial assistance for environmental projects from the sale of municipal revenue bonds through loans to local governments in Ohio and from issuance of industrial revenue bonds for qualified projects.

authority to issue revenue bonds is viewed as limited to the financing of loans and grants, not their refinancing. The bill provides greater flexibility for OWDA to issue revenue bonds for an additional purpose, which is paying any refinancing costs of improvements to environmental infrastructure. The bill also allows OWDA to use such bond proceeds to make loans for refinancing of such infrastructures. The refinancing of certain loans that were previously financed at a higher interest rate than what otherwise may be made available will be a cost savings for affected borrowers. The magnitude of any potential local savings will depend upon the terms of the loan participation agreements established. The debt service on loans in the hundreds of thousands of dollars range could realize significant cost savings if interest rates were to decrease by just a small increment. While the bill is permissive in nature, there would presumably be some cost to OWDA to renegotiate any future loans if requested to do so by the grantee.

According to OWDA staff, the bill could also result in driving some local entities to OWDA for financing of projects that were originally financed by debts entered into outside of OWDA. At this time, OWDA anticipates that if enacted, the bill will generate additional workload necessitating at least one additional staff person to assist in processing the new applications. This additional cost will be mitigated through loan fees, which will be adjusted accordingly. OWDA is a self-funded entity of the state.

In 2018, OWDA provided \$943,669,918 in loans for 380 projects in 84 counties. Loans ranged from less than \$10,000 to more than \$111 million for one jurisdiction.²

Ohio Air Quality Development Authority

Enacted in July 2019, H.B. 6 of the 133rd General Assembly created the Nuclear Generation Fund Program and the Renewable Generation Fund Program and tasked the Ohio Air Quality Development Authority (OAQDA) with administering the programs, in consultation with the Public Utilities Commission of Ohio (PUCO). However, no appropriations were made in H.B. 6 to pay for the Authority's operating costs for managing the programs. As of the end of May 2020, the Authority had five full-time employees.

This bill allows OAQDA to use up to \$300,000 annually from FY 2020 to FY 2028 for operating costs involved with the Authority's role in administering the Nuclear Generation Fund Program and the Renewable Generation Fund Program. Up to \$150,000 of the funding allowed under this bill may be sourced from each of (1) the Nuclear Generation Fund and (2) the Renewable Generation Fund. Both of the funds are custodial funds held by the Treasurer of State, and receive revenue through charges collected from electric utility customers. This bill requires that plans for spending this money be approved by the Controlling Board.

Solar energy facilities

The bill delays the application date for a qualifying renewable energy resource. Under existing law, six³ solar energy facilities totaling 1,095 megawatts (MW) of nameplate capacity

²A complete listing of the 2018 projects and applying communities can be found at https://www.owda.org/docs/documents/8//2018_Annual_Report_OWDA.pdf.

met this designation under criteria authorized by H.B. 6. However, these qualifying facilities cannot receive disbursements from the Renewable Generation Fund without first applying to the Ohio Air Quality Development Authority. The application deadline was February 1, 2020, but this bill extends that deadline to March 1, 2020.

At its March 23, 2020 board meeting, the Authority approved three recipients for the Renewable Generation Fund totaling 650 MW of nameplate capacity.⁴ Absent the provision in this bill, one or more facilities will not receive payments from the Renewable Generation Fund. Therefore, retail electric customers may receive a refund in 2028 for unspent amounts. Continuing law enacted by H.B. 6 provides that beginning January 1, 2021, electric distribution companies must collect from all of their retail electric customers a charge sufficient to provide \$170 million in annual revenue, of which \$20 million will be credited to the Renewable Generation Fund. The charge will continue through December 31, 2027, and the Authority will direct the Treasurer of State to make payments from the fund on a quarterly basis through January 21, 2028. Any amounts remaining in the Renewable Generation Fund after the final payment date must be refunded to customers.

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³ Two facilities in Hardin County later merged their project applications for a single 320 megawatt facility. Therefore, six applications submitted to the Ohio Power Siting Board represent five solar farms.

⁴ <https://ohioairquality.ohio.gov/Our-Services/Nuclear-and-Renewable-Generation-Programs>.