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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 349*
135th General Assembly

Bill Analysis

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Version: As Reported by House Finance

Primary Sponsors: Reps. Barhorst and Jones

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SUMMARY

EnergizeOhio program

- Creates several incentives for the development of natural gas pipelines and related infrastructure within locally designated “EnergizeOhio zones.”

Loan programs

- Authorizes loans to local governments and related entities to acquire natural gas pipeline easements on property located within an EnergizeOhio zone.
- Appropriates \$20 million to the loan program from the GRF.
- Additionally allows such entities to acquire easements with loans from the existing bond-funded 166 Direct Loan and Enterprise Bond Fund Loan programs.

Partial exemption of natural gas company personal property

- Authorizes a partial property tax exemption for natural gas company personal property placed into service in an EnergizeOhio zone.
- Provides that the percentage of the property to be exempted may equal between 25% and 75%, at the discretion of the local government that creates the EnergizeOhio zone.

* This analysis was prepared before the report of the House Finance Committee appeared in the House Journal. Note that the legislative history may be incomplete.

DETAILED ANALYSIS

EnergizeOhio program

The bill creates various incentives for the development of natural gas pipelines and associated infrastructure. The incentives are available for projects located in locally designated areas, called EnergizeOhio zones, and include loan programs and a partial personal property tax exemption.

Creation of an EnergizeOhio zone

A county, municipality, or township may petition the Department of Development to designate an EnergizeOhio zone. To request the designation, the subdivision must adopt an ordinance or resolution outlining the zone's boundaries. The Director of Development will approve the designation if the Director finds that a lack of natural gas infrastructure in the area is adversely affecting the area's economy.

Once approved, an EnergizeOhio zone designation lasts for five years. A zone can be renewed once, for an additional five years, if the subdivision requests the renewal and the Director finds that a lack of natural gas infrastructure continues to adversely affect the area economy.

The Director is required to notify the Tax Commissioner of each EnergizeOhio zone designation or renewal and to publish maps displaying each zone on the Department of Development's website.¹

EnergizeOhio Loan Program

The bill creates an EnergizeOhio Loan Program to fund the acquisition of natural gas pipeline easements. Through the program, local governments and other entities can receive loans to purchase or lease such easements on property located within an EnergizeOhio zone.

Loans are administered by the Director of Development and available to a county, municipality, township, port authority, community improvement corporation, regional council of governments, an economic development organization that operates in at least five counties, or a partnership consisting of any of those entities and a third party. The loan must be used to purchase or lease easements on property located in an EnergizeOhio zone with the goal of installing natural gas pipelines or other infrastructure on the property. Recipients cannot use a loan to acquire an easement by eminent domain.

The bill requires the Director, by the earliest date possible and in consultation with the Chief Investment Officer of JobsOhio, to adopt rules prescribing the terms and conditions of such loans and the criteria the Director will use to evaluate loan applications. These rules are exempt from continuing law that limits regulatory restrictions adopted by certain agencies.

¹ R.C. 122.161.

The bill appropriates \$20 million to the program from the GRF in FY 2025.²

Loans through existing bond programs

Continuing law, enacted under authority granted by the Ohio Constitution, allows the Treasurer of State to issue bonds to generate revenue for economic development assistance programs. These proceeds are credited to the Facilities Establishment Fund and are used to provide loans and other funding for certain infrastructure and economic development projects.

The bill allows the purchase or lease of natural gas pipeline easements in an EnergizeOhio Zone to qualify for funding under two of these bond-funded programs – the 166 Direct Loan program and the Enterprise Bond Fund program. Under both programs, the Director uses bond proceeds to make loans to eligible projects. In the 166 Direct Loan program, loans are provided from the Facilities Establishment Fund. Under the Enterprise Bond Fund program, the Treasurer can issue project-specific bonds, backed by money in the Facilities Establishment Fund, and the Director uses those bonds proceeds to provide loans.

The bill allows the Director to provide loans through both of these programs for the acquisition or lease of pipeline easements. The Ohio Constitution specifically restricts both programs from being used to fund “facilities to be constructed for the purpose of providing electric or gas utility service to the public,” but does not explicitly prohibit the acquisition of easements for such facilities. As with the EnergizeOhio Loan Program, the loans cannot fund the acquisition of easements by eminent domain.³

Partial exemption of natural gas personal property

Under continuing law, local property taxes apply to the tangible personal property, e.g., machinery and equipment, of public utilities. Similar to real property, the property tax due with respect such personal property involves determining the property’s taxable value and multiplying that value by the relevant local tax rate.

The bill authorizes a partial exemption for natural gas personal property that is placed into service in an EnergizeOhio zone. The exemption percentage may equal between 25% and 75%, at the discretion of the subdivision that creates the EnergizeOhio zone. The subdivision must specify the exemption percentage in its resolution or ordinance creating the zone, and the stated percentage will apply to all eligible property placed into service while the zone’s designation remains in effect.

The exemption generally applies for five years, beginning in the tax year following the year in which the property is placed into service. If the property is placed into service during a zone’s initial five-year period and the zone is subsequently renewed for an additional five years, the exemption is likewise extended for an additional five years.⁴

² R.C. 122.162; Sections 3 to 5.

³ R.C. 166.01 and Ohio Constitution, Article VIII, Section 13.

⁴ R.C. 122.161(B) and 5727.76.

HISTORY

Action	Date
Introduced	12-04-23
Reported, H. Economic & Workforce Development	06-12-24
Reported, H. Finance	--
