



Ohio Legislative Service Commission

Bill Analysis

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H.B. 534

129th General Assembly
(As Introduced)

Reps. Schuring, Henne, Stebelton, Fende, Sprague, Kozlowski, C. Hagan, Yuko

BILL SUMMARY

- Creates the Data Center Development Grant Program to promote the establishment of data centers in Ohio, under which the Third Frontier Commission is required to award grants to partnerships between for-profit businesses and state institutions of higher education.
- For the Data Center Development Grant Program, limits single grants to \$5 million and total grants to \$50 million.
- Creates the Data Center High Speed Fiber Optic Network Grant Program to promote the development of a high speed fiber optic network in Ohio and to assist in the provision of high speed fiber optics to data centers.
- Requires, under the Data Center High Speed Fiber Optic Network Grant Program, the Commission to award grants to persons that provide high speed fiber optics to a data center that has been or will be established in Ohio with the assistance of a grant under the Data Center Development Grant Program.
- For the Data Center High Speed Fiber Optic Network Grant Program, limits total grants to \$25 million.
- Establishes a discount kilowatt hour tax for electricity distributed to data centers under reasonable arrangements with electric distribution companies for discount electric service, such that the tax discount is proportionate to the discount under the reasonable arrangement.

CONTENT AND OPERATION

Grant programs created

Data Center Development Grant Program

The bill creates the Data Center Development Grant Program to promote the establishment of data centers in Ohio. The bill requires the Third Frontier Commission to award grants on a competitive basis to partnerships between for-profit businesses and state institutions of higher education for the establishment and operation of data centers. Under the bill, data centers are facilities primarily used to house tangible personal property used in providing data center services. The bill defines data center services as providing access to computer equipment by means of telecommunications equipment for examining or acquiring data stored in or accessible to the computer equipment, or placing data into the computer equipment to be retrieved by designated recipients with access to the computer equipment. The term may include similar services, as further defined by the Third Frontier Commission.

Electronic publishing services are *not* encompassed by the bill as data center services. Electronic publishing includes providing access to news and similar information primarily for business customers, including the federal or state government or a political subdivision.¹

The amount awarded to a single partnership is not to exceed \$5 million. The total amount of grants awarded under the program is not to exceed \$50 million. Grants are to be made from the Third Frontier Research and Development Fund created under current law.²

Data Center High Speed Fiber Optic Network Grant Program

The bill also creates the Data Center High Speed Fiber Optic Network Grant Program to promote the development of a high speed fiber optic network in Ohio and to assist in the provision of high speed fiber optics to data centers. The Third Frontier Commission is required to award grants to persons that provide high speed fiber optics to a data center that has been or will be established in Ohio with the assistance of a grant awarded under the Data Center Development Grant Program. The total amount of grants awarded under the Data Center High Speed Fiber Optic Network Grant

¹ R.C. 184.05(A) and (B); R.C. 5739.01 (not in the bill).

² R.C. 184.05(B) and 184.19.

Program is not to exceed \$25 million. Grants are to be made from the Third Frontier Research and Development Fund.³

Rules

The bill requires the Third Frontier Commission to adopt rules under the Administrative Procedure Act that are necessary for the administration of the grant programs. The rules are required to establish all of the following:

- Specific eligibility criteria for grant applicants;
- A definition of "high speed fiber optics";
- Forms and procedures for grant applications;
- Criteria for reviewing, evaluating, and ranking applications, and for approving applications from applicants that best serve the goals of the grant programs;
- Reporting requirements and monitoring procedures; and
- Any other rules necessary to implement and administer the grant programs.⁴

Financial assistance from the Department of Development not precluded

The bill specifies that a grantee under either of the grant programs is not precluded from being considered for or participating in other financial assistance programs offered by the Department of Development.⁵

Tax discount for discount electricity distributed to data centers

The bill modifies the method of calculating the kilowatt hour tax on electricity distributed to a data center under a contract for discounted electric service.⁶ Under continuing law, electricity may be provided at a discounted rate under a reasonable arrangement between a public utility and a customer, such as a data center.⁷ The bill

³ R.C. 184.05(C).

⁴ R.C. 184.05(D).

⁵ R.C. 184.05(E).

⁶ R.C. 5727.81.

⁷ R.C. 4905.31 (not in the bill).

requires the kilowatt hour tax on electricity distributed to a data center to be discounted in proportion to the discount given under the reasonable arrangement. Therefore, if the data center receives a 10% discount on retail electric service under the reasonable arrangement, the kilowatt hour tax on the electricity is required to be 90% of the kilowatt hour tax that would normally apply.

The bill requires an electric distribution company to provide information to the Tax Commissioner as the Commissioner determines is necessary to establish the discount percentage or the amount of tax due.⁸

The bill specifies that the tax discount applies to tax measurement periods beginning on or after the bill's effective date.⁹

HISTORY

ACTION	DATE
Introduced	05-03-12

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⁸ R.C. 5727.81.

⁹ Section 3.

