
Detailed Fiscal Analysis

Utility Infrastructure Development Program

The bill establishes the Utility Infrastructure Development Program, to be administered by the Department of Development (DOD). The program would provide grants to eligible "new business opportunities," defined as new, expanded, or relocated businesses that will create or retain jobs, for the purpose of constructing public utility service connections. In order to receive funding, a business must require the use of a utility service that is subject to the public utility excise tax under Ohio law, namely natural gas and combined electric and natural gas companies.

Eligibility requirements

In addition to the requirements mentioned above, a utility infrastructure development project must satisfy additional criteria in order to be eligible for a grant. The project's viability must depend on receiving a grant under the program, the applicant must have considered all other public and private sources of financing, and the recipient must use the grant as a catalyst for infusing other financing sources into the project.

The bill requires DOD to determine whether a business or enterprise meets the qualifications for being an eligible new business opportunity, and requires the Director of Development, in consultation with the Director of Budget and Management, to determine whether projects meet all the eligibility criteria. The bill also requires the Public Utilities Commission (PUC) to provide DOD with information as to whether the project is subject to the public utility excise tax.

Utility Infrastructure Development Fund

The bill creates the Utility Infrastructure Development Fund in the state treasury to provide grants under the Utility Infrastructure Development Program, but requires that the release of grant funds be subject to Controlling Board approval. The fund is to be capitalized by the amount of the public utility excise tax that exceeds the amount forecasted for each fiscal year, as well as investment earnings, although the bill does not specify what forecast is to be used in determining the amount of excess to be set aside for the fund.

The initial forecasts by the Office of Budget and Management (OBM) after the passage of Am. Sub. H.B. 119, the main operating budget bill for the FY 2008-FY 2009 biennium, estimated public utility excise tax revenue of \$177.9 million in FY 2008 and \$181.0 million in FY 2009. However, OBM's most recent estimates from January 2008 are \$13.0 million below the original forecasts for each fiscal year: \$164.9 million for FY 2008 and \$168.0 million for FY 2009. While it remains to be seen what the actual public utility tax revenue for FYs 2008 and 2009 will be, if the bill were in place today it does not appear likely that there would be funds in excess of OBM's initial estimate for FY 2008.

Administration

The Utility Infrastructure Development Program is most likely to be housed in DOD's Economic Development Division, which oversees most of the Department's other financial incentive programs. The Division's operating expenses are paid for out of GRF appropriation item 195415, Economic Development Division and Regional Offices. FY 2008 appropriations for this line item are \$5,894,975 in FY 2008 and \$6,071,824 in FY 2009. Expenses are likely to depend on the extent to which the program's operations can be integrated with those of DOD's other economic development incentives. Administrative costs are likely to include paperwork associated with processing applications and issuing grants, as well as any costs associated with placing requests before the Controlling Board for the release of grant funds.

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