Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 510 of the 128th G.A. **Date**: May 25, 2010

Status: As Introduced **Sponsor**: Rep. Carney

Local Impact Statement Procedure Required: No — Permissive

Contents: Creates a pilot program for permitting certain dam construction projects

State Fiscal Highlights

- The Dam Safety Fund (Fund 6150) administered by the Department of Natural Resources (DNR) would gain additional revenue from permit filing fees paid by an eligible dam pilot project, specifically the city of Columbus upground reservoir project.
- The bill also alters the terms of surety bonds on eligible dam pilot projects. The effect of this change is to allow for surety bonds in amounts lower than required under current law, which sets the amount at 50% of the estimated project cost. These amounts are held in trust by the Treasurer of State.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill authorizes a temporary pilot program for issuing state permits for an eligible proposed upground reservoir construction project that has an estimated construction cost exceeding $40 million. Currently, the proposed city of Columbus upground reservoir is the only project that fits these criteria. The estimated construction cost for this project is between $90 million and $100 million.

Permit filing fee

Under existing law, the Department of Natural Resources (DNR) is responsible for issuing dam construction permits through the Division of Soil and Water Resources. An application for a permit must be accompanied by a filing fee based on a project's estimated cost. Current statute requires the Division to charge a fee of 4% for the first $100,000 of estimated cost, 3% for the next $400,000, 2% for the next $500,000, and 0.5% for all costs exceeding $1 million, with an additional fee specified if the actual construction cost exceeds the estimated cost filed with the Division. No fee may be less than $1,000 or more than $100,000, and all fees are deposited into the Dam Safety Fund (Fund 6150). However, under the bill, the Chief of the Division of Soil and Water Resources would determine the filing fee for an eligible pilot project, with a maximum amount of 1% of the total cost estimate filed with the Division. For the city of Columbus upground reservoir, the maximum amount that could be collected would be between $900,000 and $1 million.

Surety bond requirements

Currently, a person or agency applying for a dam construction permit must also file a surety bond with the Division in an amount equal to 50% of the estimated project cost, which is held by the Treasurer of State. The bill allows an eligible pilot project to file a surety bond that is less than this amount if the applicant demonstrates that there will be lower costs to mitigate any potential failure of the project. The bill also permits an eligible pilot project to submit an incremental surety bond or other incremental security amounts during the project's construction period if such amounts would be sufficient to mitigate potential failure during different phases of construction. Under existing statute, the city of Columbus project would require a surety bond of between $45 million and $50 million. However, under the bill, the actual surety bond would be less than that. According to DNR, this amount could be approximately $1 million.

Administrative costs

Current administrative costs for the Dam Safety Program, including the costs of administering permits, inspections, and other oversight functions, are paid out of the Dam Safety Fund (Fund 6150). The bill does not make any changes to the Dam Safety Program, but does require the Chief of the Division of Soil and Water Resources to submit a report on the efficacy of the pilot project to the General Assembly within 30

days of the issuance of the project's construction permit. Presumably, the costs to the Division associated with approving a project under the bill and issuing the report would be payable from current resources, or would be offset by the permit fees paid by the eligible project sponsor.

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