



**Interested Party Testimony
HB 464
House Ways and Means Committee**

**Buckeye Association of School Administrators
Ohio Association of School Business Officials
Ohio School Boards Association
Ohio Education Association
Ohio Federation of Teachers
April 14, 2010**

Good morning Chairman Letson, Ranking Minority Member Huffman, and Committee Members. Thank you for the opportunity to speak to you today as interested parties on HB 464, a bill that would provide local property tax exemptions to alternative energy development projects. My name is Barbara Shaner, and I represent the Ohio Association of School Business Officials (OASBO). With me today for this testimony are Tom Ash from the Buckeye Association of School Administrators (BASA), Damon Asbury from the Ohio School Boards Association (OSBA), Melissa Clark from the Ohio Education Association (OEA), and Darold Johnson from the Ohio Federation of Teachers (OFT).

We understand the desire to promote alternative energy production in Ohio and we want to participate in discussions about the issues and proposals contained in the bill. **Our organizations wish to help to improve Ohio's economy and also the local economies in those areas of the state where potential alternative energy projects may be constructed.**

Our testimony includes information about changes in the bill that we think will improve the proposal and also improve the benefits of alternative energy development for schools and local governments. This will be important to the success of efforts to bring alternative energy to Ohio.

There are several provisions in HB 464 that our organizations support. The following is a list of items we believe will be important to the success of this proposal.

The bill:

- Includes a narrow time-frame for qualifying projects
- Narrowly defines the projects that qualify

- Limits the tax exemption to include only Utility Tangible Personal Property Tax (generation and distribution)
- Limits the exemption to wind and solar power only
- Includes a specific definition of Transmission and Distribution property for wind energy

We believe these components in HB 464 allow for those alternative energy providers wishing to take advantage of federal stimulus dollars to do so, while protecting current revenues for schools and local governments. They also help to preserve the integrity of Ohio's tax structure, including provisions from HB 66 – Ohio's historic tax reform legislation.

Tax Exemption and PILOT Payments

Because HB 464 will have an impact on property tax revenues for local governments and schools, we want to make sure that the local tax dollars invested will result in a good return for Ohio and for the local communities affected. As you are likely all aware, those projects that are most likely to qualify for the proposed exemption in this legislation are the wind energy developers who have already applied to the Ohio Power Siting Board for approval to locate and operate in Ohio.

Based on information from the developers' applications to the Siting Board, it appears that the six pending projects are estimated to provide a total of 84 long term jobs in the communities where they will be located. While these are jobs currently not available, there must be a thorough cost-benefit analysis of the jobs gained in return for the local taxes lost through the proposed exemption.

Our organizations have asked the expert consultants from the Education Tax Policy Institute (ETPI), Bill Driscoll and Dr. Howard Fleeter of the firm Driscoll & Fleeter, to prepare an analysis of the provisions in the "as-introduced" version of HB 464. They have provided information from state and national sources on appropriate tax levels for wind development. They have also prepared an analysis of the proposed investment in the wind energy projects that are likely to qualify for the tax exemption related to the return on investment to local communities.

Attached to this testimony is the ETPI analysis of Payments in Lieu of Tax by Wind Turbine Plants and also an Analysis of Job Creation through Property Tax Exemptions for Wind Turbine Plants. I will touch on some important provisions from these studies. Dr. Howard Fleeter, one of the authors of the studies, is on hand in case there are technical questions from the committee about the ETPI report following our testimony.

First, the paper looks at the data comparing Ohio's standing among surrounding states if we were to eliminate the Utility Personal Property Tax for wind turbines on a per Megawatt basis. Analysis of this information indicates that Ohio could require up to \$17,024 in Payments in Lieu of Taxes (PILOTs) and still be ranked 3rd among surrounding states.

As part of their research, the ETPI consultants reviewed information about one tool used to determine the economic benefits of wind energy projects known as the Job and Economic Development Impact (JEDI) model published by the U.S. Department of Energy's National Renewable Energy Laboratory. The ETPI research points out that the JEDI model considers property tax as an "outcome" of investment and should be considered a part of the economic development benefit derived from the installment of wind turbine farms. In other words, the economic benefits to the communities where the wind farms are located as estimated by the JEDI model will be undermined if the local property taxes or payments in lieu of taxes (PILOT) are allowed to be significantly abated.

Secondly, the ETPI consultants have used the estimated long term job projections contained in the six project developers' actual applications to the Power Siting Board and estimated the cost of the exemption of Utility Tangible Personal Property taxes minus the maximum \$8000 PILOT payment proposed in HB 464. As you can see by Table 4 on page 5 of the report, the cost of providing such generous tax savings for developers is large.

The Power Siting Board application also includes projections about indirect or induced benefits, but the ETPI analysis points out that **there is no way to tie those additional returns on the tax exemption investment to those communities where the wind farms are actually located.**

The ETPI analysis is important because it helps to clarify the extent to which these local, rural communities should pay the cost for Ohio's economic development policies. The right balance between the personal property taxes exempted and the PILOT payment amount must be achieved. It is crucially important to these communities that they not bear the entire cost of the statewide benefit derived from attracting wind energy production and manufacturing to Ohio. Other public policy choices like the federal stimulus programs already in place and perhaps additional state level incentives must be utilized.

As a result of the ETPI analysis of the provisions in HB 464, and feedback we have received from our members in the areas where the affected property is located, we believe the proposed maximum \$8000/MW Payment In Lieu Of Taxes (PILOT) for all local governments is too low. **We request that the PILOT be raised to \$15,000 to be divided proportionally among the impacted local governments.**

If the amount of our proposed PILOT would exceed the amount of taxes owed in any particular year based on the current Utility TPP tax rate schedule, we would agree to a ceiling on such payments such that they could not exceed the tax liability computed in the normal manner.

Conclusion

It is our understanding that stimulus tax credit dollars account for approximately one third of the costs in the development of a wind turbine farm in the form of tax credits. This is a significant cash incentive for the development of alternative energy. The purpose of this significant investment was to encourage the use of alternative energy and also to promote economic development in rural areas.

With this in mind, we hope you will agree to our proposed change to HB 464, an increase in the PILOT level to \$15,000/MW, in order to ensure the appropriate level of local property tax investment by schools and local governments for the projects that qualify. With these changes, the bill will provide incentives to "jump start" the wind industry in Ohio and also provide meaningful economic activity in rural Ohio.

This concludes our testimony. We will be happy to address your questions.