



Date: May 10, 2010

To: The Honorable Bill Harris, Senate President

From: Damon Asbury, OSBA
Tom Ash, BASA
Barbara Shaner, OASBO
Melissa Clark, OEA
Darold Johnson, OFT

Re: The PILOT payment amount in SB 232 is too low! We request that the PILOT be raised to \$15,000 to be divided proportionally among the local governments that are affected.

Our organizations understand the desire to promote alternative energy production in Ohio and we agree with the intent of the bill to promote investment in alternative energy. We wish to help to improve Ohio's economy and the economies in those rural communities where potential alternative energy projects may be constructed.

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 considered to be a part of this economic development package.

Enclosed is an analysis of issues SB 232 prepared by the consultants for the Education Tax Policy Institute (ETPI), Bill Driscoll and Dr. Howard Fleeter. The ETPI analysis is important because it helps to clarify the extent to which these rural governments and schools should pay the cost for Ohio's economic development policies. The proper balance between the local personal property taxes exempted and the PILOT payment amount must be achieved.

As you are likely aware, the projects most likely to qualify for the proposed exemption in this legislation are those of 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.**

There will be some short-term jobs from the initial project construction (see the ETPI report for more information). As you can see, the long-term economic benefits to the local communities are limited.

As a result of the ETPI analysis and feedback we have received from our members in the areas where the affected property is located, we believe the proposed \$7000/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.

There are other changes in SB 232 that our organizations request. The following is a list of items that we believe will be important to the success of this proposal.

The bill should:

- Narrowly define the projects that qualify;
- Limit the tax exemption to include only Utility Tangible Personal Property Tax (generation and distribution) -- not real property or business taxes; and
- Limit the exemption to wind and solar power only.

We believe these components will 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.

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 SB 232, 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.

Thank you for your consideration. Please feel free to contact us if you have questions about our position.

cc: Ohio Senate