



**State Representative Brian D. Hill
State Representative Jack Cera
H.B. 105 Joint Sponsor Testimony
March 22nd, 2017**

(Rep. Brian Hill)

Thank you Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers and Members of the Ways and Means Committee. Today Rep. Cera and I stand before you to give testimony on H.B. 105. This legislation outlines changes to the way the severance tax is distributed. We believe this legislation helps create a positive environment for the industry to grow. It allocates funds for road and bridge repair and it assists our local governments, without imposing any new taxes on the oil and gas industry.

In addition, this proposal also earmarks severance tax dollars for a grant program for firefighting and EMT equipment in the shale region. It also earmarks severance tax dollars for a grant program for local governments and school districts to help convert their vehicles to compressed natural gas. (CNG). Money will also be allocated to ODNR for an orphan well-plugging program.

In summary, this legislation outlines a responsible and responsive distribution of the severance tax that encourages development and returns a larger share of revenue to the shale area. Best of all, this proposal can do all that without raising the current severance tax amount.

Thank you for your time and consideration. Now I will turn this over to Rep. Cera.

(Rep. Jack Cera)

Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers and Members of the House Ways and Means Committee.... thank you for the opportunity to speak on House Bill 105. I would also like to thank Rep. Hill for joining me in this effort to have current severance tax dollars help the oil and gas areas of our state. We are pleased to describe the many benefits this proposal has for eastern Ohio and the communities in the shale area. For too long, this area has been overlooked and we now have the opportunity to make a difference for some of the poorest areas in the state.

Recently, I was a member of the 20/20 Tax Policy Study Commission. A bi-partisan work group that reviewed Ohio's tax structure. Part of our assignment was to review and modernize Ohio's severance tax on oil and gas. We reviewed the tax during a number of interested party meetings. While there was no agreement on increasing the severance tax at this time, many on this workgroup believe that revenue from the severance tax should go to the communities directly impacted by the increase in drilling activity. I believe a significant portion of the severance tax should be invested in local infrastructure and basic services. It is vital that this revenue be used to support the shale communities through infrastructure that sustains the oil and gas --- and related industries.

This bill does not raise the current severance tax. The bill states that the first \$18 million in revenue goes to the ODNR Division of Oil and Gas to regulate the program. This number was arrived by looking at previous expenditures of the division and based on past testimony by them on what would be necessary to operate during a boom period of oil and gas production.

HB 105 was developed over time with input from local government officials, industry reps and legislators to solidify a proposal that can prove beneficial to all. Rep. Hill and I worked with many of these groups a few years ago when HB 375 was being discussed and actually passed out of committee and the House. This bill takes portions of that proposal related to idle and orphaned wells and ideas for local distribution. The bill also uses parts of a previous bill that I worked on that increased the severance tax. The distribution in this bill, since it only deals with existing severance revenue, is limited to only areas where there is shale production or injection wells taking oil and gas wastewater.

We have the opportunity to use revenues generated by this tax to assist local governments, improve infrastructure, equipment and services that not only benefits the citizens within many of our districts...but that also supports the industry. We can invest in asset building that will grow Ohio's economy, put people to work, and improve the quality of life of all Ohioans. We can use this funding to invest in our citizens and to assist a part of the state that really needs this break. With that said, I encourage your support of H.B. 105.

Thank you for your time and consideration. We are happy to address any questions.