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OHIO

House Energy & Natural Resources Subcommittee on Energy Generation

House Bill 6 - Opponent Testimony

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Co-Chair Stein, Co-Chair O'Brien, and members of the subcommittee, thank you for the opportunity to offer testimony today on House Bill 6. My name is Micah Derry, and I am the State Director of Americans for Prosperity – Ohio. Our organization is dedicated to breaking internal and external barriers that stand in the way of people realizing their full potential. Removing these barriers, in whatever forms they take, helps move our society toward one of mutual benefit, where people succeed by helping others improve their lives and transform their communities.

AFP-OH opposes HB 6. This should not be a surprise. We have opposed similar legislation with similar aims in the past, although those bills were structured differently than this bill. While those testifying before you on all sides of the debate have focused on a wide array of impacts, it struck me as I listened to the testimony from April 17th that some members of this committee were admittedly confused as to why people view this legislation at a “bailout”.

My testimony will not belabor the dictionary definition of “bailout”, but rather it will examine the public perception of HB 6, the false dilemma that members are facing as they consider the consumer cost in this bill, and the damage this bill will have on the credibility of the Ohio General Assembly, should the bill pass.

Perception

Recognizing that the sponsors of the HB 6 vehemently deny that it is a “bailout”, with all due respect, they are wrong. We can use language like, “incentives and economic development packages” if that’s what we feel like we need to do to make ourselves feel better, but in the plain-spoken language most Ohioans prefer to use, HB 6 is corporate welfare, it is cronyism on full display; in other words, a bailout.

There are obvious reasons that the average Ohioan would have this feeling. Whether the so-called “Clean Air Act” benefits other companies down the road or not, I have not heard a single person dispute who benefits now. The *Cleveland Plain Dealer* reported on April 16th that since

2017, First Energy and First Energy Solutions have invested \$1.2M in campaign contributions and \$2.7M on lobbying and public relations efforts. First Energy or its subsidiary stand to benefit to the tune of \$150M, or more, should HB 6 become law.

I want to be clear. I do not stand before this committee to make accusations. I am standing here today as a representative of a grassroots organization to explain why people across our state view this as a “bailout”.

False Dilemma

The pitch from advocates for this bill covers two categories: jobs and consumer cost.

I understand the genuine concerns legislators I have spoken with have regarding the 1,300 employees of the nuclear plants on the north shore of Ohio. Those concerns are based on three assumptions. First, if this body does not hand over \$150M to whatever entity arises out of the Chapter 11 ashes of First Energy Solutions, Ohio will lose 1,300 jobs. Second, if this body DOES hand over \$150M to whatever entity arises out of the Chapter 11 ashes of First Energy Solutions, 1,300 Ohio jobs will be saved. Third, artificially boosting the bottom line of a company in bankruptcy will not have a negative effect on other job creation in our state.

The first assumption suggests that this legislative body has the knowledge of a crystal ball, that it knows how an acquisition of the assets of the bankrupt First Energy Solutions will be structured. It assumes that the investors who will reap the benefits of FES’ business woes will not capitalize on what is a high performing facility – and that is according to testimony from the representative of First Energy on April 17.

Secondly, it was stated in proponent testimony that a \$150M shot in the arm for the new entity will put them in the position to decide to refuel, but that does not guarantee that the plants are ultimately a fit for the strategy of a new corporation or group of investors. In other words, this may be a short term fit and a long-term financial loss for Ohioans.

Third and lastly, research shows that when the state artificially props up one sector of the economy, it has a detrimental impact on jobs. The Economic Research Center at the Buckeye Institute did extensive modeling on the impact of Renewable Portfolio Standards and showed a cost of tens of thousands of jobs, with a negative impact on production to the tune of billions of dollars. An example of one sector where this may have an out-sized impact is the construction and operation of natural gas plants right here in Ohio, which utilize our natural resources from our own backyard.

The consumer cost must be a strong consideration for this body. While the dollar figures in no way alter the principles at play, the amounts matter. The problem is while advocates for HB 6 proclaim the lower net utility bill for consumers, those same advocates ignore the fact that those savings are not nearly the amount that *should* be realized.

In other words, HB 6 does not pass all the savings on to Ohioans – it creates and bankrolls a slush fund.

I suppose now is a natural opportunity to point out AFP-OH does support one aspect of HB 6. We oppose all subsidies, mandates, corporate tax credits, or bailouts for *any* generation resource. This includes the Renewable Portfolio Standards that we have consistently opposed for years in this very room.

The repeal of these damaging mandates is what gives the savings proponents are touting. This legislature has already passed legislation effectively gutting RPS twice and should do so again, and I'm encouraged legislators see the advantage of doing so.

However, this is highly mitigated by the addition of the charges being used to fund the Clean Air Program. The idea that you as legislators must pass HB 6 in its current form to save consumers money is false. Repeal the charges for renewables and the same advantage is realized only to an even greater degree.

Damage

Finally, passing House Bill 6 is radioactive for the perception the public already has of this legislative body.

Pew Research has tracked public trust in government from 1958 through 2019. Today we stand at an all-time low.

Only 17% of people trust the government to do what is right.

Only 3% trust the government to *always* do what is right.

Only 14% trust the government to *mostly* do what is right.

This isn't particularly surprising, considering the McClatchy-Marist poll in December of 2016 showed the same number of Americans, only 14%, believe that "everyone more or less plays by the same rules". Contrast this with the 83% of Americans who believe "there are different rules for the well-connected and people with money."

The exclamation mark in this mentality comes from the Reuters/Ipsos National Election Day poll that found 73% agree that "the economy is rigged to advantage the rich and powerful."

Especially in light of the incredible amounts of money First Energy and First Energy Solutions have spent on campaign contributions and lobbying efforts, everyday working Ohioans are astounded to see them make a glowing return on their investment.

Their ROI, if HB 6 were passed, would be over 3,000%. Let that sink in for a second, and think about the average person, or a small business owner might think when they hear that information. Surely one thought that would cross their mind would be that it's a better deal than the government has ever offered them.

Passing this legislation, to take money out of the bank accounts of working Ohioans, only to put their cash in the hands of a company that has spent most of this millennium as a Fortune 200 company, will only serve to reinforce this degradation of public opinion and trust in the institution of government.

In closing, I am blessed with the great fortune of running the Ohio operations for an organization that appeals to activists by ignoring party lines and working toward the goal of a free and open society. Our activists come to us because they share our belief that free people are capable of extraordinary things.

As these people, your constituents, gather together to work with us on the issues impacting them, there is a shared concern among them in the rise of what is popularly being called socialism. I've learned a lot by listening to our folks discussing their hopes, dreams, and fears. Many of them have observed that the rise in popularity for socialism has come from a failure of our leaders to consistently present a better model of free enterprise.

Make no mistake, House Bill 6 of the 133rd General Assembly is an epitome of the policies that have led hundreds of thousands of students on university campuses across the United States to believe that capitalism is a fraud, a fake, and a failure. It is because they have been told, and observed, that such cronyism and corporate welfare is actually capitalism, and because they see the inherent unfairness of a system which, in the words of Bastiat, practices "legal plunder" to enrich the wealthy, but tells the middle class it is for their own good.

Though more clever in its disguise than past iterations, House Bill 6 is, at its core, corporate welfare – a bailout. Because it is, I must call it as such, and that is why AFP – Ohio opposes this legislation.

Thank you to the chairmen, and members of the subcommittee for allowing me to share my thoughts with you today. I'm happy to answer any questions you might have at this time.

Our Mission: Americans for Prosperity exists to recruit, educate, and mobilize citizens in support of the policies and goals of a free society at the local, state and federal level, helping every American live their dream – especially the least fortunate