



**Before the Senate Transportation, Commerce, and Workforce Committee  
Testimony on House Bill 62  
Wednesday, March 13, 2019**

Chairman McColley, Vice Chair Uecker, and Ranking Member Antonio, thank you for the opportunity to provide testimony on a provision amended into House Bill 62, Ohio's Transportation Budget Bill, that would divert funds from the Oil and Gas Well Fund to counties in eastern Ohio.

My name is Matt Hammond and I serve as the Executive Vice President of the Ohio Oil and Gas Association. The Ohio Oil & Gas Association (OOGA) is a statewide trade association representing nearly 2,000 members who explore for, develop and produce Ohio's oil and natural gas resources. Our membership consists of people who professionally represent all phases of the exploration and production (E&P) process and all sizes of producers, from small independents to major oil companies. According to JobsOhio, our membership represents the \$70 billion of investments into the state's economy that is a direct result of oil and gas producers exploring for and producing oil and gas resources. The OOGA has represented Ohio's oil and gas producing industry since 1947.

The Ohio Oil and Gas Association, broadly across our membership, has historically expressed concerns about diverting any monies away from the fund for non-oil and gas regulatory purposes. Since the inception of the modern regulatory framework in 1965, all of those funds, including any other regulatory fees, have gone solely and exclusively to fund our regulatory program. Unfortunately, over the last 8 years more than \$70 million in funds have been diverted by the Kasich Administration to settle unrelated lawsuits or other non-industry related state programs, despite our protests. That is \$70 million the state will not spend to plug orphan wells in Ohio. Per the Ohio Revised Code, the fund is required to support the regulatory oversight of the industry and to address the plugging of orphan wells.

In the amendment in question, oil and gas regulatory funds will be diverted to fund local government road improvements. The fact remains that the oil and gas industry is already providing funds to improve these local roads. In 2017, the Ohio Oil and Gas Association and Energy In Depth conducted two reports on the industry's impact to local communities through road use maintenance agreements (RUMA's) and ad valorem taxes. Both reports were done through public records requests.

In 8 counties alone, from 2012-2016, the oil and natural gas industry has spent over \$300 million to support, repair and construct over 630 miles of public infrastructure. In 2018 alone, one oil and gas producer invested over \$22 million in public infrastructure in their operating footprint. Also in 2018, one producer spent \$2 million in one county. As you can see, we are quickly



approaching \$350 million in investments in public infrastructure. We are not aware of another private entity in the state of Ohio that invests more in public infrastructure. Reports stating that this industry is not providing funds for these public infrastructure needs are simply not accurate.

The industry has already paid \$135 million in ad valorem taxes to local communities. Additionally, we estimate the industry will pay over \$250 million in ad valorem taxes by 2025. As I'm sure you are aware, ad valorem tax proceeds go directly to support local governments and public schools. Finally, pipeline tax revenue has started to flow into local communities, already hitting \$1.2 billion.

OOGA member companies strive to support the communities in which they live and work. We are unclear as to why money from the Oil and Gas Well Fund must be diverted to support local government infrastructure when, by 2025, our industry will have invested between \$700-\$800 million in both road use maintenance agreements (RUMAs) and ad valorem payments in local communities throughout southeast Ohio. These estimates do not include the economic impact our industry has on counties in southeast Ohio, and across the entire state of Ohio, including job creation, sales and use tax, and income tax revenue. This also doesn't consider estimates which show that Ohio consumers have saved approximately \$40 billion due to low natural gas costs from 2006-2016. These are all direct benefits to the counties in which we operate and the entire state of Ohio.

Instead of diverting these funds for local infrastructure, Ohio should utilize them for its intended purpose in the Ohio Revised Code – specifically to plug orphaned oil and gas wells. Ohio is one of the few states in a position to address legacy orphan wells solely due to severance tax revenues. Last year, the General Assembly unanimously passed House Bill 225, legislation that would increase funding to plug orphan wells, and improve its already favorable position to eradicate orphan wells in Ohio. Orphan wells represent an authentic environmental problem for the State of Ohio. Many of these wells date back to the late-1800's and early 1900's, prior to any regulatory oversight of the industry.

It is our opinion the state should avoid taking a policy position that would create a precedent in statute and divert oil and gas funds which would diminish its orphan well plugging program. Other oil and gas producing states around the country are struggling to plug orphan wells due to public policy decisions that have diverted funds away from regulatory programs. Every state that diverts severance tax revenues to local communities, to the GRF, or to reduce other taxes, struggles to replace the revenue that would otherwise plug historical orphaned wells.

OOGA leadership and its member companies care deeply about Ohio and the public infrastructure used in the exploration and production of oil and gas. The industry makes great efforts to support those communities where we operate, but we cannot be the answer to so many of Ohio's public infrastructure needs. In our opinion, setting a precedent to divert any regulatory funds, in addition to funds currently provided to local governments via RUMA's and ad valorem tax revenues, is a very dangerous precedent. Once the diversion of said monies



begins, when and where will it end? If you go by the experience of other states, once state government diverts revenue away from the regulatory agency it never ends.

Instead, we would ask legislators to ensure that appropriate funds are used specifically for the plugging of orphan wells and support the industry in streamlining the administrative process to plug orphan wells. It is safe to estimate there are several thousand wells that must be plugged in Ohio, which cover three of the four quadrants of the state. We must utilize these funds to plug these orphan wells, protect the environment of Ohio, and resist the urge to divert them for other purposes.

One concept the state should consider to support communities in eastern Ohio would be to lease state acreage for oil and gas production, and distribute some of the revenue from lease bonus payments and royalties back to local governments. In our opinion, it is past time for the state to take advantage of its natural resources, which will benefit the entire state, the industry, and presents an opportunity to provide a direct source of revenue back to eastern Ohio. OOGA has advocated this position since 2010, and unfortunately, the State of Ohio has already lost out on hundreds of millions of dollars due to inaction.

I respectfully request that you remove the provision from House Bill 62 that would divert monies away from the Oil and Gas Well Fund. Thank you once again Chairman McColley and members of the committee for allowing me to testify on House Bill 62. I am happy to answer any questions at this time.