

February 26, 2014

## TESTIMONY FOR SUB HB 375

**TO: OHIO HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE**

**FROM: TUSCARAWAS COUNTY COMMISSIONER KERRY METZGER**

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Mr. Chairman and members of the House Ways and Means committee, my name is Kerry Metzger and I am currently serving my 3rd term as County Commissioner from Tuscarawas County. I previously served as a State Representative for the 97th House District and I am a Past-President of the County Commissioners Association of Ohio. I am here today to offer interested party testimony in support of amendments to Sub HB 375 sponsored by Representative Brian Hill which are supported by the County Commissioners Association of Ohio, Ohio Municipal League and the Ohio Township Association.

We appreciate the changes made to the introduced version of the bill by placing in the substitute bill the LGF hold harmless provision and the recognition of the impact the Marcellus/Utica shale oil and gas play is having on our local communities by allocating 10% of the severance tax to local governments.

This is a good start but is insufficient to support the economic development envisioned by the legislature for the shale play counties. In his "Concept Plan", Representative Brian Hill identified over \$5 BILLION of current infrastructure needs alone. An example of future economic development needs in Tuscarawas County related to the Shale play is the potential construction, by Kinder Morgan, of building an oil & gas processing plant facility at a projected cost of half a billion dollars. With that type of investment and the jobs that it will create we want to make certain that we can meet the needs of this company. The estimated cost to provide the water and sewer infrastructure needed to support this new facility is approximately \$3,500,000.00. This is just one example of the cost associated with attracting and retaining business by making certain that infrastructure is in place in order for economic development to flourish from the Marcellus/Utica Shale play.

That is why I am here today to support the following amendments to the Sub HB 375 Distribution Plan:

1. LGF hold harmless dollars to come off the top of the severance tax ahead of \$21 million going to ODNR
2. Increase percent of allocation to local governments from 10% to 25%
3. Within the allocation to local governments:
  - a. Impacted counties limited to those within either the Marcellus or Utica Shale Plays (we understand that the language currently in the bill allows ANY county where a well – vertical or horizontal – to qualify to receive money)
  - b. 20% to counties

- i. Money coming to county is placed in special fund in county treasury (in bill now) and distributed to the political subdivisions based upon the county's undivided local government fund distribution formula – this removes any need for a distribution authority and removes the role of the county budget commission from the sub bill or develop a new process
    - ii. Remove the direct tie to capital needs as impractical under the new distribution formula
  - c. 5% to a County Township Road Maintenance Fund
    - i. Special fund is created in the county treasurer
    - ii. Each board of township trustees in the county will appoint a member to a committee to distribute the money
    - iii. Committee will be required to consider well locations and drilling activity, road miles in the townships, and funds received from the "county distribution" in distributing the money from the Fund
    - iv. Funds to be used for road maintenance and construction and the purchase of township road maintenance equipment
  - d. 75% to Ohio Shale Gas Infrastructure Development fund
    - i. Ohio Shale Gas Regional Committee (OSGRC) awards funds
      - 1) Commission composition – 11 members - all appointments by governor:
        - a) 3 commissioners, 3 municipal elected officials and 3 township elected officials – from recommendations received from the 3 associations
        - b) An economic development professional
        - c) An oil and gas industry representative
      - ii. Committee considers the following factors in reviewing "infrastructure projects:"
        - 1) Infrastructure needs of the shale region
        - 2) Importance of the project to the health and safety of the citizens
        - 3) Availability of other local, state, or federal funding
        - 4) Adequacy of the planning for the project and the readiness to proceed with the project

- 5) Extent the capital improvement would support shale activity
  - 6) Extent shale activity has had an impact on the intended improvement
  - 7) Any other factor relevant to a particular project
- iii. Ohio Public Works Commission manages the grant application and evaluation process and administers the distributions from the Ohio Shale Gas Infrastructure Development fund with OPWC expenses recovered from fund based upon the current cost allocation formula it utilizes for the OPW and Clean Ohio programs
  - iv. “Infrastructure projects” include those projects that provide for:
    - 1) roads and bridges and appurtenances to roads and bridges
    - 2) waste water treatment systems
    - 3) water supply systems
    - 4) solid waste disposal facilities
    - 5) storm water and sanitary collection, storage, and treatment facilities
    - 6) transportation infrastructure including airport, port, and rail improvements
  - v. Costs eligible for funding include planning; engineering; site acquisition and preparation; equipping; and construction, reconstruction, expansion, or improvement of an infrastructure project
  - vi. Reduce percentage going to “legacy fund” expended after 2025 to 15% of allocation to OSGRC (or 11.25% of total funds allocated to local governments)

Mr. Chairman and members of the committee, thank you for the opportunity to offer interested party testimony in support of amendments to Sub HB 375.