

**May 13, 2015**

**TO: MEMBERS OF SENATE WAYS AND MEANS SUBCOMMITTEE**

**FROM: GINNY FAVEDE, BELMONT COUNTY COMMISSIONER**

**SUBJECT: TESTIMONY ON THE SEVERANCE TAX PROPOSAL House Bill 64**

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Chairman Peterson and distinguished members of the Senate Ways and Means Committee-

My name is Ginny Favede and I am a Belmont County Commissioner. I thank you for the opportunity to briefly speak to you today concerning funds received from oil and gas revenues.

As you know, Belmont County is well within the region undergoing the current oil and gas boom. We are grateful for the opportunity to see our region prosper once again. However, with this development has come unique challenges. Our infrastructure has continued to be placed under undue stress from the movement of equipment, supplies, and water to drilling sites. We have witnessed increasing demands on our services, staff, and equipment at the Courthouse, particularly within the county recorder's office. We are beginning to see housing difficulties because local citizens are being priced out of rental properties. The increase in population has led to increased expectations on our social services network. Increased demands upon law enforcement as drilling activity has increased have led to difficulty in housing at our county jail. Overcrowding will require facility expansion and has our offices understaffed throughout the county.

In order for our area to grow we need to capitalize on these resources and be able to develop a long-term viable, sustainable economy for our region and the state of Ohio. When we grow locally so too does the state of Ohio. We are all parts of a whole. I come before you today to share with you what hosting this industry is truly like for local governments, clarify the reality of the financial potential of the oil and gas industry, and help you understand that it is costing county government money to host this industry. County services are stretched thin as oil-related businesses demand water and sewer lines and services. We need to help you understand that it is going to cost each of the Eastern Ohio counties money for infrastructure to accept new developments, rail spurs, water, sewer, waste-water treatment and road improvements. Money that we do not have. We do not have the financial resources to provide these services to the oil and gas industry. Furthermore, it is difficult to prioritize meeting this need for the industry when we have been unable to provide basic water and sewer service to our own constituents. Ohio cannot grow if we cannot grow locally and I assure you we cannot afford to grow without the financial assistance of the state.

Our concerns continue to be infrastructure costs, increased demands on county courthouses and increased costs for local services.

In Belmont County alone we have identified \$28.8 million in real infrastructure needs with a \$22 million dollar general fund budget and \$20 million dollars in debt and no oil and gas revenue stream to fund the costs. Costs include \$6.8 million in upgrades to water and sewer to support economic development, \$12 million in bridges and \$10 million in paving. All of these costs are in addition to an already strained general fund.

While we do genuinely appreciate the tremendous economic opportunities provided by this industry I beg of you to acknowledge the increase costs of hosting this business on county governments.

We support the need for Ohio to join other states by putting in place a more reasonable severance tax to allow communities to deal with the health, environmental, infrastructure and safety costs that this unpredictable industry has brought to eastern Ohio. A stronger severance tax would also help to compensate Ohio and its people for natural resources that are being permanently extracted, and to help communities be ready to face the costs imposed when this industry finishes extracting our oil and gas and leaves Ohio.

We ask that at least 50% of the severance tax revenues remain at home for distribution within the impacted counties. The current proposal falls 30% short of that. For those revenues proposed to be distributed to each of the impacted counties I feel compelled to explain to you that the Budget Commission does not appropriate monies as the current proposal suggests that as a funding distribution vehicle. The better choice would be to have the funding allocated to the counties distributed within each county via the County Undivided Local Government Fund distribution formula. I also encourage you to recognize the importance of funding decisions being driven by local elected officials who are directly accountable to their constituents. Overseeing county government is what I and all of the county commissioners of Eastern Ohio do on a daily basis. I can assure you we know what is best for our counties.

Our success is dictated by our financial ability to provide the infrastructure necessary for economic growth. More importantly, our survival depends on our financial ability to handle the cost to host this industry.

This legislation is a monumental issue for our area and our citizens and will have a lasting impact on our economy for years to come. It is imperative that we develop a partnership between local government and the State of Ohio in sharing of the revenue from the oil and gas development.

Please allow those impacted counties within the shale play the opportunity for funding commensurate with increasing service demands and the opportunity to invest in future needs.

I thank you for the opportunity to speak before you today and will attempt to answer any questions you may have.