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# STATEHOUSE REPORT

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**October 31, 2014**

## **Governor again says he wants a higher severance tax**

Noting that he has not yet begun to fight, Gov. John Kasich again chided the legislature for not passing a severance tax at a reasonable rate. Earlier this year the House passed HB 375 that would impose a 2.5 percent tax on gross receipts from horizontally fractured oil and gas wells. The governor, however, has in the past criticized the House's proposed tax rate as being too low and providing too many deductions to generate a significant amount of revenue.

During his speech before the Columbus Metropolitan Club Tuesday, the governor blasted the oil and gas industry for opposing what he views as a "reasonable" severance tax rate and suggested the longer the legislature delays action, the higher the rate should be, stating, "We were proposing four (percent). Every day they wait it goes higher."

"They're paying 20 cents on a \$100 barrel of oil. You should all sign up for that kind of a tax situation. This is a total and complete rip off to the people of this state. It's outrageous," Kasich said. "And then they take our stuff and they go back and they cut their taxes and they have our wealth in their state and they don't pay for it. We need to stop this. And we've tried in that legislature to have a reasonable severance tax."

He also noted other petroleum-producing states like North Dakota have considerably higher rates.

The governor expressed his concern for better state regulation of drilling, saying that he believes "we're going to need more regulations on the wellhead."

"This industry is fantastic for this state. I believe in this industry, I support this industry. But you know what? There's a proper way to have them operate in our state - both in what they pay and the way they're regulated, because I'll tell you, if you don't regulate this thing right, you're going to lose people in the communities - they're going to say it's dangerous," he said.

The governor expressed his hope that the shale drilling boom in eastern Ohio could revitalize downtrodden parts of the state and spur development in downstream industries to make Ohio "the polymer capital again." "This could unlock such an incredible thing in this state. But it has to be regulated and they have to pay their fair share as they deplete our resources in this state. And the legislature's going to have to understand this. Or maybe there's another way to get this done," he noted, apparently alluding to the possibility of placing a severance tax issue on the ballot.



The bill has support from one of the two main oil and gas industry groups, who warn that raising the severance tax any higher would drive drillers away to other states. They note that Ohio applies other taxes on drilling that competing states don't charge, such as the Commercial Activities Tax and the ad valorem tax.

Passage of HB 375 by the Senate appears doubtful in the upcoming "lame duck" session, as Senate President Keith Faber has previously indicated that the issue ought to be addressed in the context of overall tax reform.

For more information on this issue, contact policy staff member John Leutz, [jleutz@ccao.org](mailto:jleutz@ccao.org) or 614-220-7994.

## House Unemployment Compensation Debt Study Committee holds final hearing

Concerns over unemployment insurance premium increases, qualifications to receive benefits and other system issues dominated the House Unemployment Compensation Debt Study Committee's final hearing last week which was held in Toledo. The study committee is charged with identifying possible solutions to Ohio's federal unemployment compensation debt

Chairwoman Rep. Barbara Sears (R-Sylvania) indicated that she hopes to have the first part of the report done by early December and the final part completed by the end of the year.

Sears said the study committee's work should lead to about five pieces of actual solid legislation; however, whether there's a collective will to move the bills remains to be seen.

In addressing the issues with Ohio's unemployment compensation system, Rep. Sears said she believes the solution "has to come from both sides." She added that the General Assembly's biggest opportunity, in her opinion, to structurally fix the system is to focus on its governance.

The chairwoman said she has asked each member of the committee to submit recommendations to her to which she can refer when crafting her formal study committee report.

Sears noted appreciation for an understanding by employers that the Federal Unemployment Tax penalties that Ohio faces probably means there will have to be an increase on the revenue side, which nobody really wants to acknowledge. Rep. Sears said the goal is to provide predictability.

Testimony presented to the committee can be found on the House Unemployment Compensation Debt Study Committee's [website](#) under "Oct. 14."

For more information on this issue, contact policy staff member Laura Abu-Absi, [labu-absi@ccao.org](mailto:labu-absi@ccao.org) or 614-220-7996.



*Rep. Barbara Sears*

## Legislation of Interest



[HB 647](#) **PAID LEAVE** ([Hagan, R.](#)) To require paid leave for an employee who is quarantined or placed in isolation. Am. 4113.81, 4113.82, 4113.83, 4113.84, and 4113.85

[HB 648](#) **PRISON TERMS** ([Patmon, B.](#)) To create specifications that impose an additional prison term upon an offender who commits a felony offense against a disabled person or an elderly person and increase the period of commitment to the Department of Youth Services for committing an act that would be a felony offense against a disabled person or an elderly person if committed by an adult, for felony offenses that do not delineate enhanced penalties when a disabled person or an elderly person is the victim of the violation. Am. 2152.17 and 2929.14 and to enact sections 2941.1424 and 2941.1425

[HB 649](#) **TAX EXEMPTION** ([Barborak, N.](#)) To exempt from sales and use taxation the bulk sale of firewood, propane, butane, kerosene, and number two fuel oil for heating purposes and to declare an emergency. Am. 5739.02

[HB 650](#) **PROPERTY TAXES** ([Gerberry, R.](#)) To revise the law governing classroom facilities assistance programs and to restore the application of the 10% and 2.5% property tax rollbacks to school district tax levies approved on or after the effective date of Am. Sub. H.B. 59 of the 130th General Assembly. Am. 319.302, 3318.032, and 3318.37

[SB 376](#) **PROPERTY TAXES** ([Schiavoni, J.](#)) To revise the law governing classroom facilities assistance programs and to restore the application of the 10% and 2.5% property tax rollbacks to school district tax levies approved on or after the effective date of Am. Sub. H.B. 59 of the 130th General Assembly. Am. 319.302, 3318.032, and 3318.37

[SB 378](#) **UNDERGROUND UTILITIES** ([Coley, B.](#)) Regarding the enforcement of the law governing the protection of underground utility facilities. Am. 3781.25 and to enact sections 3781.34, 3781.341, 3781.342, 3781.36, 4905.041, 4913.01, 4913.03, 4913.05, 4913.07, 4913.09, 4913.13, 4913.15, 4913.151, 4913.152, 4913.16, 4913.17, 4913.171, 4913.19, 4913.21, 4913.22, 4913.23, SB 378 4913.22, 4913.23, 4913.25, 4913.27, 4913.29, 4913.31, 4913.45, 4913.47, 4913.50, and 4913.52

[SB 381](#) **CHILD IMMUNIZATIONS** ([Jones, S.](#)) To require children enrolled in licensed child care facilities to be immunized against specified diseases, subject to certain exceptions. Am. 5104.015, 5104.017, and 5104.018 and to enact section 5104.014.

[SB 382](#) **CHILD SUPPORT** ([Jones, S.](#), [Smith, S.](#)) To make changes to the laws governing child support. Am. 3119.01, 3119.02, 3119.021, 3119.022, 3119.023, 3119.03, 3119.04, 3119.05, 3119.06, 3119.22, 3119.23, 3119.24, 3119.29, 3119.30, 3119.302, 3119.31, 3119.32, 3119.61, 3119.63, 3119.76, 3119.79, 3119.89, 3121.36, and 3123.14; to amend, for the purpose of adopting new section numbers as indicated in parentheses, sections 3119.022 (3119.024) and 3119.023 (3119.025); to enact new sections 3119.022 and 3119.023 and sections 3119.026, 3119.027, 3119.028, 3119.041, 3119.051, 3119.231, and 3119.303; and to repeal section 3119.024