Group Seeks Tax Increase on Oil, Gas Billions

JULIE CARR SMYTH,Associated Press

COLUMBUS, Ohio (AP) — As Gov. John Kasich prepares to deliver his State of the State speech in the heart of Ohio's shale drilling region, a liberal policy group is proposing that he and other policymakers bring the state's taxes on oil and gas profits in line with those of Texas.

Columbus-based Innovation Ohio said Thursday that its analysis of industry data is also leading it to seek passage of a Landowner Bill of Rights and a Hire Ohio plan to ensure residents get their fair share of proceeds and jobs from the coming shale boom.

Spokesman Dale Butland emphasized that the report is about economics, not environmental factors such as drilling using hydraulic fracturing, or fracking, or a series of earthquakes in the Youngstown area near a deep injection well for disposing of drilling wastewater.

"If fracking goes forward in this state, all Ohioans should benefit," Butland said. "After all, these natural resources belong to us, not the oil companies. The companies are certainly entitled to a fair profit for extracting it, but regular Ohioans also deserve a fair share and a fair shake — and it's up to our elected officials to make sure we get it."

The group's analysis of state oil and gas reserve data found that shale drilling could mean $86 billion to Ohio natural gas developers over the next 20 years. The report identified Ohio oil resources worth an additional $130 billion to $550 billion, along with natural gas liquids of unknown value.

That bears out predictions by the GOP governor's administration that the industry could be a game-changer for the ailing economy in this once-proud manufacturing state.

Kasich spokesman Rob Nichols declined to react to Innovation Ohio's proposals.

"I'll respond to them directly when they release their donors and their finances to the public," he said. "We don't know who's funding them: Is it environmental groups? Is it anti-drilling interests? What we know is that shale and natural gas stands to bring an economic revival to a part of the state that's been down for decades. We're managing it responsibly and with sensitivity to job creation and the environment."

Janetta King, who served as policy director to former Democratic Gov. Ted Strickland, is the group's president, and several Democrats are publicly involved in the think tank.

Innovation Ohio says the state hasn't gone far enough to protect the interests of residents.

To be more in line with Texas, the group proposes a windfall profits tax, raising Ohio's oil and gas severance tax rates to 7.5 percent on natural gas and 4.6 percent on oil and natural gas liquids. The increase would raise nearly $2.5 billion from the extraction of natural gas over 10 years — and could raise an additional $5.9 billion to $25.3 billion in tax revenue.

Butland said the money could be used to offset budget cuts to schools and local governments.

A Landowner Bill of Rights would be enforced by the Ohio attorney general. It would include added consumer protections for those selling their mineral rights and disclosure of chemicals used during drilling and wastewater disposal.

Under Hire Ohio, energy companies hiring a certain percentage of Ohioans might get tax breaks or those establishing training programs for employing Ohio graduates could receive tax incentives.

Nichols said shale drilling is a key component of Kasich's job creation strategy for the state. The governor has said he is pressing companies to hire Ohioans and protect the environment, and he is considering tax issues surrounding the industry as it grows.

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