



BEFORE THE OHIO SENATE TRANSPORTATION, COMMERCE AND WORKFORCE
COMMITTEE
TESTIMONY ON HOUSE BILL 62
March 11, 2019

Good Afternoon Chairman McColley, Vice Chair Uecker, Ranking member Antonio, and members of the Committee. My name is Tony Long, and I am the new Director of Tax & Economic Policy for the Ohio Chamber of Commerce. I appreciate the opportunity to offer the Ohio Chamber's perspective on House Bill 62.

The Ohio Chamber is the state's leading business advocate, and we represent nearly 8,000 companies that do business in Ohio. Our mission is to champion free enterprise, economic competitiveness, and growth for the benefit of all Ohioans. We understand that quality infrastructure is critical to the success of Ohio's business community and that adequate funding of Ohio's roads, bridges, and other transportation infrastructure needs is vital to the health of our economy.

Unfortunately, as Director Marchbanks has explained, ODOT is facing a major revenue shortage to deal with the needs of this vital infrastructure. We must find a way to invest in the infrastructure to maintain and modernize these critical assets, beginning with increased, long-term, consistent investment. To continue to delay such investment only escalates the costs and risks of an aging infrastructure system – an option Ohio and our economy cannot afford.

As you know, by increasing the Motor Fuel User Fee for gasoline and diesel fuel, both the governor and the House included new revenue for roads and bridges in HB 62. The Ohio Chamber commends both for their efforts. The user fee is the only existing revenue source that supports necessary funding on a long-term, sustainable basis, and is it a true "user fee" – those who drive on Ohio's roads pay for upkeep and expansion.

When I testified last week before the House Finance Committee, I encouraged the House to consider bifurcating the diesel fuel fee rate and increasing it at a rate lower than the proposed increase for the gasoline portion of the fuel fee. Unfortunately, the House went in the opposite direction.

Before I go through my reasons for requesting a lower rate of increase for diesel fuel, I want to reiterate that the Ohio Chamber does support an increase in the user fees for both gasoline and diesel fuels. But, the Ohio Chamber is concerned that the proposed 20 cent rate of increase for diesel fuel, which is nearly double the proposed increase for gasoline, would be harmful to Ohio's economy and business climate.

A 20 cent increase in diesel would move Ohio well past the state average of 30.2 cents of tax per gallon and leave us with the sixth highest tax rate on diesel fuel among the continental United States.

While the trucking companies are the ones who will directly pay the higher cost at the pump, the impact to the trucking industry would be negligible. That's because the accepted method to deal with the changes in the fuel costs is via a fuel surcharge. In other words, the trucking companies will pass the additional cost along to their customers. And just who are their customers? The thousands of Ohio businesses that rely on trucking companies to ship materials, parts, and finished goods.

Already, the growing economy, combined with a shortage of drivers and therefore available trucks to move product, has required Ohio businesses to pay at a higher rate for standard shipping. Nationally, transportation costs are climbing at nearly double the inflation rate. In the House, the Ohio Trucking Association testified that the impact of a 7-9 cent increase in fuel costs typically increases the surcharge by one percent -- which means a 20 cent increase in the diesel tax could raise shipping costs by as much as 3 percent.

Diesel fuel is also a cost component for smaller intrastate fleets, company owned delivery trucks, and some construction vehicles, all of whom will see their transportation costs rise directly when they pay more to fill up at the pump.

Ultimately, increased fuel costs can increase costs at every point on the supply chain and lead to increased raw material prices and lower profit margins. In all of these situations, Ohio businesses will either need to look for other costs to cut or pass along the new tax costs to their own customers. Eventually, consumers will feel the pinch, as well. This is, of course, not good for Ohio business or consumers.

There is also a looming external factor that should not be overlooked. A new International Maritime Organization requirement that all ships must burn fuel with no more than 0.5 percent sulfur is set to go into effect in 2020. According to industry experts, this new standard could add 15 to 20 cents to the base cost of diesel fuel – an increase that would come on top of the 20 cent increase contained in HB 62.

In addition, Ohio is already an important state for logistics, and our logistics and distribution industry is growing rapidly. Ohio ranks fifth highest in the nation in warehousing and storage services, according to the U.S. Census' Bureau of Economic Analysis. Given how important the logistics and distribution industry are to Ohio's economy, a significant increase in the diesel fuel fee rate would be counterproductive to the logistic, distribution, and warehouse businesses that have grown and flourished here in Ohio.

With these negative economic impacts in mind, the last thing the Ohio General Assembly should do is increase the diesel rate beyond the rate of gasoline fees. Therefore, the Ohio Chamber urges the Senate to restore parity between the gasoline and diesel fuel rates – and at a rate lower than 20 cents.

I'd like also to touch on one other provision of HB 62. On the topic of fees for alternative fuel vehicles, the Ohio Chamber agrees that all users of the roadways should participate in the cost of the maintenance and repair of said roadways. However, the Ohio Chamber is concerned that the fee structure in the House version of the bill will stifle the adoption of the new products. The Ohio Chamber would suggest a phase in of the fee, imposing a lower fee than is currently proposed until such time that these types of vehicles attain a more significant market share of Ohio's vehicle fleet.

On behalf of the Ohio Chamber, thank you for the opportunity to testify before this Committee. I look forward to answering any of your questions.