



Interested Party Testimony
Ross McGregor on behalf of The Ohio Manufacturers' Association
Before the Senate Transportation, Commerce and Workforce Committee
The Honorable Robert McColley, Chair
March 13, 2019

Chairman McColley, members of the Senate Transportation, Commerce and Workforce Committee, I am pleased to present interested party testimony for the transportation budget, House Bill 62, on behalf of The Ohio Manufacturers' Association (OMA).

My name is Ross McGregor and I own a manufacturing business in Springfield. My business, Pentaflex, produces heavy, stamped-metal components that go into cars, trucks, off-road vehicles, agriculture equipment, medical equipment and energy applications. Our family-owned company is part of Ohio's important manufacturing sector that contributes 17% to the state's GDP, which is greater than the economic contribution of any other industry segment.

As some of you are aware, I was a member of the Ohio House of Representatives for nearly ten years, having served as chair of the Finance Subcommittee on Transportation. I bring all of these perspectives forward as I appear before you today as a longtime member of the OMA.

The OMA recognizes the important work this body does in adopting balanced budget legislation. The budget is as much a tax plan as it is a spending plan. The OMA believes good tax policy generates the revenues necessary to support the essential functions of government. While there are many important facets to House Bill 62, my testimony is focused on the gas tax components.

Modern infrastructure is critical for today's advanced manufacturing economy. To remain competitive and maximize the economic benefits of Ohio's manufacturing strength, the state must invest in updating and expanding Ohio's multi-modal transportation infrastructure, including roads, bridges, rails and ports. Continued investment in these resources is critical to providing Ohio manufacturers with flexible, efficient, cost-effective shipping options.

Ohio's transportation infrastructure fund is declining at a time when traffic is increasing, construction and maintenance costs are escalating, and fuel efficiency is climbing. Coupled with a fixed, per-gallon fuel tax that has not been adjusted since 2003, we support Governor DeWine's proposal to adjust the motor fuel tax rate and we encourage your support to restore the Administration's recommendation that is based

on both ODOT data and the recommendations of the Advisory Committee on Transportation Infrastructure.

It should not come as a surprise that Ohio is running a structural deficit. Eight years ago in sponsoring the transportation budget that privatized the turnpike and used those funds as a bridge for ODOT spending, I said in my floor speech that the use of one-time turnpike dollars was not a solution. Today, you have an opportunity to address that need more permanently.

For the first time in Ohio history, the House bifurcated the gas tax rate on different motor fuels. The OMA would respectfully suggest you revisit this concept in the name of two principles of good tax policy: equity and simplicity.

Like most states, Ohio has one simple motor fuel tax rate that applies equally to all vehicles that consume motor fuel. The bill pending before you confounds the established simple tax and will result in diesel fuel being taxed at a rate of 25% greater than gasoline. Why?

It's easy to say: "*Tax only the trucks that are tearing up the highways; they should pay more,*" but that kind of thinking can produce a dampening effect on key segments of our economy. Moreover, trucks *do* pay more based on the *amount* of fuel they consume.

It's important to note that trucking operations don't absorb the cost of the gas tax – they pass it on to their customers. It's a common practice in shipping contracts for the carrier to pass along the total fuel costs to the shipper (that is, for example, a manufacturer). So, in effect, when you raise taxes on diesel fuel, you are increasing costs on economic drivers of our state's prosperity.

Please don't misunderstand -- manufacturers recognize the importance of maintaining roads and bridges and are supportive of a fuel tax increase that goes directly to the maintenance, repair and construction of roads and bridges. However, a policy that treats types of consumers disparately is problematic. The case has not been made to bifurcate fuel rates, and it directly and negatively impacts the competitiveness of multiple Ohio businesses and industries.

With regard to the amount of increase, the Administration reasonably concluded that an 18 cent across-the-board increase was necessary to generate the bare minimum \$1.2 billion in additional revenue needed to preserve Ohio's transportation infrastructure. The Advisory Committee generally accepted that proposal, as well. Moreover, the total 46 cents per gallon tax is comparable to the tax levels in Indiana and Michigan, comparable states with which Ohio competes. Unless there are better financial analyses, we support restoring the rate to the executive proposal.

Related to roadway vehicles that are not powered by motor-fuel, we support a reasonable user fee as these vehicles are utilizing state roads and bridges and should be contributing to their maintenance and improvement. We've reviewed some data and

a fee of \$150 per electric vehicle appears reasonable under the Governor's 18 cent proposed increase.

Most gas-electric hybrid vehicles are gasoline fueled. As such, these super-efficient vehicles are already paying gas tax, albeit less than more inefficient motor vehicles. But, why tax efficient vehicles twice? The attributes of energy efficiency are laudable. We oppose the imposition of a fee on non-plug-in hybrids.

Mr. Chairman, that concludes my testimony. I appreciate the opportunity to visit with you. I would be pleased to answer any questions you may have of me.

Thank you.