



AMERICAN PETROLEUM INSTITUTE  
Ohio

Ohio House of Representatives  
House Finance Committee  
Interested Party Testimony on House Bill 62  
Chris Zeigler, Executive Director, API Ohio  
February 28, 2019

Chairman Oelslager, Vice Chair Scherer, and Ranking Member Cera, my name is Chris Zeigler and I am the Executive Director of the Ohio office of the American Petroleum Institute (API), or API Ohio. The API is the only national trade association representing all facets of the natural gas and oil industry, which supports 10.3 million U.S. jobs and nearly 8 percent of the U.S. economy. The API's more than 600 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, marine businesses, and service and supply firms. They provide most of the nation's energy and are backed by a growing grassroots movement of more than 47 million Americans. In Ohio, the natural gas and oil industry employs more than 260,000 Ohioans who are involved in all aspects of the industry. As an interested party for House Bill 62 and specifically regarding increasing Ohio's motor fuel tax rate, the API and its member companies appreciate the opportunity to participate in this important debate regarding the funding of our state's transportation infrastructure system.

A strong natural gas and oil industry is critical to the vitality of Ohio's economy and especially our transportation sector. Nationally, more than 98 percent of vehicles on the road use natural gas and oil industry produced fuels, making it possible for us to conduct commerce, get to our jobs, and go on vacations. Today, this is done with cleaner fuels that, coupled with advanced vehicle technologies, have reduced emissions by 73 percent between 1970 and 2017--even as vehicle miles traveled increased 189 percent. Throughout all sectors of the natural gas and oil industry, our members depend on a safe transportation infrastructure system in order to ensure the reliable and affordable flow of petroleum that all Americans count on to fuel our cars, heat our homes and improve the quality of our lives.

API Ohio previously submitted written testimony to the Governor's Advisory Committee on Transportation and Infrastructure regarding our belief that tax policies that promote investment and competitiveness are necessary for the industry to continue to contribute to the success of Ohio's economy. Although we clearly stated that do not encourage nor discourage policymakers to adjust motor fuel tax rates, we feel compelled to submit written testimony to this committee since several of our key concerns were not addressed in the current version of House Bill 62.

While API Ohio will not suggest a specific rate for the state's motor fuel tax, it should be noted that if House Bill 62 passes as currently drafted, Ohio will immediately be the fifth highest taxed state for gasoline in the country situated between Hawaii and New York<sup>1</sup>. Ohio will also be the second highest taxed state for gasoline (combined local, state and federal cents per gallon) and the

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<sup>1</sup> [https://www.api.org/~media/Files/Statistics/State-Motor-Fuel-Taxes-Report-January-19.pdf](https://www.api.org/~/media/Files/Statistics/State-Motor-Fuel-Taxes-Report-January-19.pdf)

third highest taxed state for diesel (combined local, state and federal cents per gallon) as compared to our five neighboring states.<sup>2</sup>

We fully support our Ohio Constitution and the requirement that revenue from the motor fuel tax shall be used for highway construction, traffic enforcement and other allowable activities. We do not support "raiding" or earmarking revenue generated from the motor fuel tax for any other purpose. In addition, we are concerned about the validity of a motor fuel tax rate increase so significant that revenue collected would exceed realistic transportation needs. We should also note that significant increases in motor fuel tax rates, especially when compared to rates in neighboring states, may have unintended consequences on companies doing business in the state.

Our position on any specific motor fuel tax policy proposal is guided by a set of tax policy principles. One of our general guiding principles is that we believe stable, non-discriminatory tax rules that provide a level playing field are key factors for long-term economic growth. With respect to motor fuel taxes, we believe the tax should be applied in a non-discriminatory manner that does not favor one fuel source over another. All users of our transportation infrastructure system should contribute toward the maintenance of our system. We stand in full support of competitive market forces and believe that our tax system should provide consistent treatment for all industries and all forms of energy, including our own.

Unfortunately, the principle of having all users of our transportation infrastructure system pay their "fair share" is absent from House Bill 62. A quick internet search will show that the curb weight of a popular brand of electric vehicles is the equivalent, if not more, than the curb weight of popular half-ton trucks, minivans and SUVs driving on Ohio roads. As a matter of tax fairness and equitable treatment of all Ohioans who use our roads and bridges, electrified and other alternative fuel vehicles should be assessed a tax that is equivalent to vehicles that use gasoline and diesel as they create similar wear and tear of our transportation infrastructure system.

In addition, according to the Ohio Department of Transportation's 2018 Facts Book<sup>3</sup>, Ohio's vehicle miles traveled rebounded in recent years, and according to the U.S. Department of Energy's Energy Information Administration<sup>4</sup>, Ohio's gasoline and diesel consumption have been relatively stable over the last several years. Basic economics dictates that people generally consume less as prices rise; however, if policymakers don't apply a tax or fee to all users of our transportation system and then later higher fuel efficiency standards or policies that incentivize electrified or alternative fuel vehicles are put in place, the state risks imposing the increased taxes on a fuel consumption base that could shrink as a result of those policies. To address a potential eventual drop-off in fuel consumption and therefore decrease in tax receipts, API Ohio believes that it is prudent for the committee to consider how best to broaden the tax base to ensure all who are using the roads contribute equitably.

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<sup>2</sup> <https://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes>

<sup>3</sup> <http://www.dot.state.oh.us/Divisions/Planning/TechServ/Documents/ODOTFactBookFinal.pdf>

<sup>4</sup> <https://www.eia.gov/state/seds/seds-data-complete.php?sid=OH>



We do not support indexing the motor fuel tax rate to account for inflation; any future tax adjustments should be periodically reviewed and determined by the elected leaders in office at that time. Adjusting the motor fuel tax to CPI indexation completely lacks any relationship between the causes and effects of state motor fuel tax revenue variability or if state road costs have outpaced the growth in fuel consumption. The indexed tax rate is virtually guaranteed to rise due to factors that have little or nothing to do with Ohio or its transportation-related considerations. With CPI indexation, for example, increases in the costs of nationwide healthcare, tuition or housing would raise the CPI and make Ohioans pay more for their gasoline.

As the committee discusses the ways in which to strengthen and maintain our state's transportation infrastructure system, API Ohio encourages members of the committee to consider its policy objectives carefully with special consideration for revenue stability, fuel affordability, and equity of different types of fuel sources. We believe that these considerations will help to account for future anticipated transportation trends for our state. We also respectfully request that all revenue generated by the motor fuel tax continue to be dedicated wholly and directly to the roads and bridges that we as Ohioans enjoy every day.

Sincerely,  
  
Chris Zeigler  
Executive Director  
API Ohio

cc: Ohio House of Representatives Majority and Minority Leadership  
Ohio House Transportation and Public Safety Committee