



AMERICAN PETROLEUM INSTITUTE
Ohio

Ohio House of Representatives
House Finance Committee
Interested Party Testimony on Substitute House Bill 62
Chris Zeigler, Executive Director, API Ohio
March 6, 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.

API Ohio previously submitted interested party testimony to the House Finance Committee that shared our thoughts on Governor DeWine's proposed increase in Ohio's motor fuel tax rate, concerns with indexing, and not accounting for all users of our transportation infrastructure system. According to the substitute version of House Bill 62 adopted by the committee yesterday evening, it appears that some of our concerns have been addressed.

Specifically, the association appreciates the removal of indexing the motor fuel tax to the Consumer Price Index (CPI) and the requirement for vehicle registration that applies the principle of having all users of our transportation infrastructure system pay their "fair share," and the inclusion of language that reaffirms "that all motor fuel tax revenue must be used in accordance with Section 5a of Article XII of the Ohio Constitution."

We are still concerned about the validity of a motor fuel tax rate increase of 20 cents per gallon on diesel that is not in balance with the proposed 10.7 cents per gallon tax increase on gasoline and the unintended consequences that the increase may have on our members, as well as other companies, doing business in the state.

We adamantly oppose the inclusion of new language requiring \$5 million in each fiscal year of the biennium be transferred from the Oil and Gas Fund Regulation and Safety Fund (Fund 5180) to local governments in counties where at least one well is producing oil or gas in the Utica or Marcellus shale formation for infrastructure funding. We find it troubling and deeply disappointing that just days before Sunshine Week a significant policy change impacting the natural gas and oil industry has not been fully vetted before being added to the bill the night before a scheduled vote.

To be clear, the scope and purpose of the Oil and Gas Fund is for “the Division of Oil and Gas Resource Management’s core regulatory and oversight functions related to oil and gas production in Ohio.” This line item funded in whole by the natural gas and oil industry through severance tax revenue. As an organization founded on standards-making, the API holds this fund - focused on protecting public health and safety—paramount to our core mission.

Unfortunately, during the 132nd General Assembly, over \$60 million of the industry’s regulatory funds were raided to support purposes beyond that of regulating the industry, including the settlement of a lawsuit unrelated to the industry.

In addition, in 2017 the Ohio Oil and Gas Association and Energy in Depth issued a report¹ that examined how natural gas and oil production has been a key driver to Ohio’s economy and included data showing that “the upstream oil and natural gas industry has directly contributed over \$300 million from 2011-2017 in maintaining and improving roads and bridges in eight Ohio counties, **at no cost to the taxpayer.**”

The API is very concerned that Ohio policymakers are considering arbitrarily moving \$5 million of funds away from regulatory oversight of Ohio’s upstream natural gas and oil operations to local governments in counties with upstream assets. Considering the more than \$300 million that the industry has directly contributed to these very same areas of the state, at no cost to the taxpayer, we find it imprudent for this provision to remain in the bill and ask for its immediate removal.

The API understands the complexities that Ohio policymakers face in ensuring a balanced and stable budget. However, we respectfully ask that you continue to protect Fund 5180 from any further withdrawals that are beyond its intended and statutorily defined purpose. As custodians of Ohio’s natural gas and oil regulatory funds, we hope that you share our concerns.

Sincerely,



Chris Zeigler
Executive Director
API Ohio

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

¹ <https://www.energyindepth.org/wp-content/uploads/2017/11/2017-Utica-Shale-Local-Support-Series-Ohios-Oil-and-Gas-Industry-Road-Payments.pdf>