Ohio Senate
Transportation, Commerce and Workforce Committee
Opponent Testimony on Substitute House Bill 62
Chris Zeigler, Executive Director, API Ohio
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Chairman McColley, Vice Chair Uecker, and Ranking Member Antonio, 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.

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 submitted written testimony to the House Finance Committee 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 do not encourage nor discourage policymakers to adjust motor fuel tax rates, we are 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.

API Ohio appreciates the removal of indexing the motor fuel tax to the Consumer Price Index (CPI) from the As Introduced version of Sub. H.B. 62 and the inclusion of language regarding the requirement vehicle registration that applies the principle of having all users of our transportation system pay their "fair share." We also appreciate 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."

In addition, we adamantly oppose the inclusion of language that would divert funds from the Oil and Gas Well Fund to counties in Eastern Ohio. We do not believe that such a significant policy change impacting the natural gas and oil industry was fully vetted before being added to the bill.

To be clear, the scope and purpose of the Oil and Gas Fund (Fund 5180) 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 is 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 Kasich administration, more than $70 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.

As I'm sure you are aware, in 2017 the Ohio Oil and Gas Association and Energy in Depth issued a report[1] that examined how natural gas and oil production has been a key driver to Ohio's economy through road use maintenance agreements (RUMAs) and included data 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**."

In a separate report[2], it was determined that the industry paid $135 million in ad valorem taxes to some of the very same counties in Eastern Ohio that are targeted to receive this new diversion of funding from the Oil and Gas Fund. It should also be noted that the same report also estimates that the industry will pay over $250 million in additional ad valorem taxes by 2025.

The API understands the complexities that Ohio policymakers face in ensuring a balanced and stable budget. However, because the industry is estimated to directly contribute hundreds of millions of dollars through RUMAs and ad valorem taxes alone to counties in Eastern Ohio where industry operations are occurring, not accounting for other direct investments by the industry, we cannot understand why Ohio policymakers would want to jeopardize Ohioans safety by diverting revenue away from the regulatory agency. We respectfully ask that you continue to protect Fund 5180 from any further withdrawals that are beyond its intended and statutorily defined purpose and remove the provision from Substitute House Bill 62 that would divert funding away from the Oil and Gas Fund. As custodians of Ohio's natural gas and oil regulatory funds, we hope that you share our concerns.

[1] http://c.ymcdn.com/sites/www.ooga.org/resource/resmgr/files/Utica_Shale_Series/2_2017_Utica_Shale_Local_Sup.pdf
[2] https://energyindepth.org/wp-content/uploads/2017/02/Ohios-Oil-and-Gas-Industry-Property-Tax-Payments2.pdf