



OHIO ASSOCIATION OF CONVENIENCE STORES

Good morning, Chairman Oelslager, Vice Chairman Scherer, Ranking Member Cera and members of the House Finance Committee.

My name is Jeffrey Erb. I am the current President of the Ohio Association of Convenience Stores (OACS) as well as a Board member of the Ohio Council of Retail Merchants. Founded in 1978, OACS represents independent family owned enterprises, regional chains, and national chains operating throughout Ohio. OACS members engage in all things representative of the convenience store/ petroleum industry.

In my real job, I am General Manager of Saneholtz-Mckarns Inc. located in Montpelier, Ohio. We are a family owned fuel distributor operating for 40-plus years in Northwest Ohio. I have been with the company for over 30 years. Fuel is a very important part of what we do, so any changes you make here in Columbus will have a real world impact on us and the customers we serve.

Today on behalf of OACS and my company, I testify in opposition to the proposed increase in the state's gas tax. Although we recognize Ohio has legitimate infrastructure needs and appreciate the Administration's willingness to seek to address those needs, we strongly feel that passing a tax increase that burdens consumers and businesses alike is not the appropriate solution.

A gas tax increase of 18 cents coupled with an indexing of the tax to the CPI will have major adverse impacts on Ohio motor fuel retailers. Perhaps most consequential will be the added cost in credit card processing and interchange fees paid by retailers. Those of us that sell fuel pay between 2.1% and 2.5% for processing each of these transactions. Adding this proposed tax increase greatly raises our cost of doing business. This is of particular concern when greater than 70% of all motor fuel purchases are done via credit or debit card. To give you an example, a small site that sells only 50,000 gallons a month would pay an extra \$2,268 in credit card fees, even at the lower 2.1% rate. It would be next to impossible for retailers to recoup this cost. In Ohio, gas margins are among the lowest in the nation. Raising the gas tax will not increase margins or profits; if anything it will squeeze them.

Gasoline is an absolute necessity for the majority of Ohioans. People must purchase gas to get to work, school, and take care of their families, and in turn, people are very sensitive to its cost. Gasoline is one of very few products where the retail price is advertised with giant signs on street corners. This is great for consumers because it helps incentivize and foster competition amongst retailers, however, it also ensures margins remain low. The average gross margin at my 15 locations in 2018 was \$.119 per gallon. That is before factoring in credit card costs, fees, insurance, labor, and repairs. As you can see, we are netting very little if any money from gasoline sales.

I am not trying to make you feel sorry for us. What I do hope you notice is that while we build and invest in retail locations, hire people, and support our community, we make just \$.119 per gallon before expenses. In addition, we schedule loads and establish lines of credit. We take the risk of doing business and create value for our customers. We do all of that for \$.119 per gallon. Quite the contrast when you consider the State of Ohio stands to make \$.46 a gallon plus the added revenue from future guaranteed increases included in this proposal.

You certainly understand that tying the gas tax to the CPI creates an indefinite automatic tax increase without future consideration or legislative approval. We believe these matters should be discussed each budget cycle by all stakeholders and spending by the state should be regularly justified.

A gas tax increase makes Ohio motor fuel dealers less competitive with operators in surrounding states. For many fueling stations like ours operating near the state line the reality of lost sales is stark. Currently, we have an advantage in regards to state gas tax and enjoy extra sales from our neighbors crossing the state line to visit our stores. If the increase is approved, not only will we likely lose out on those sales, our Ohio customers may travel to those neighboring states to purchase fuel and other products as well.

In closing, I appreciate the weight of the decisions you must make when considering the totality of this proposal, and I too recognize there are real needs for improving our roads and bridges. However, we strongly feel that an increase of this magnitude along with the indexing of the CPI is the wrong approach for funding these needs. I wish you the best as you work through these challenges facing our great state. May God bless you and the important work you are tasked with carrying out on behalf of all Ohioans.

Thank you for allowing me this time to speak. I will be happy to answer any questions you may have.