



Chairwoman Roegner, Vice Chair McColley, Ranking Member Craig, and members of the Senate Government Oversight and Reform Committee, thank you for the opportunity to testify on Senate Bill 269.

My name is Jeffrey Erb. I am the current Vice President of the Ohio Energy and Convenience Association (OECA) as well as a Board member of the Ohio Council of Retail Merchants. The recently founded OECA represents independent family-owned enterprises, regional chains, and national brands operating throughout Ohio. OECA members engage in all things representative of the convenience store/ petroleum industry. Between the Ohio Council of Retail Merchants and OECA, our members represent the vast majority of all retail lottery sales in the state and have been the state's partner since the lottery's inception some 40 plus years ago.

I also have the pleasure of serving as General Manager of Saneholtz-Mckarns Inc. located in Montpelier, Ohio. We are a family-owned fuel distributor operating for 40-plus years. Our business also includes the operation of fifteen convenience/fuel stations throughout Northwest Ohio.

For smaller enterprises like us, lottery is an extremely important part of our business. In fact, lottery sales represent about approximately 20% of our total revenue. Lottery sales help drive foot traffic, which in turn leads to ancillary sales on things like candy, chips, and soda, which provide the core revenue to our business. Contrary to popular belief, margins on gasoline sales are tight. Simply put, we need in-store sales in order to survive.

The advent of iLottery threatens those crucial sales by potentially pulling more people out of our stores. The past two plus years have been extremely difficult for all of us and businesses like ours are no different. We stayed open throughout the pandemic to serve our customers, even when it might not have been profitable to do so and did this without industry specific government aid. We did everything in our power to keep our customers and employees safe. As we have finally emerged from this difficult time, it is concerning that the state would consider adopting iLottery. The proponents of this legislation have repeatedly said that iLottery increases overall lottery sales. This may be true, but they cannot prove that iLottery doesn't adversely impact our in-store transactions and relationships with our customers. Retail is and has been a great partner to the Ohio Lottery. iLottery has the potential to put great strain on this relationship and may even cause some retailers to consider replacing Ohio Lottery with other more profitable products. It seems unwise for the Ohio Lottery to compete for sales with its longtime partner, brick-and-mortar retailers, when it may jeopardize this proven go-to market model.

We do, however, understand that iLottery is likely a reality of the future, and if Ohio is indeed going to adopt iLottery, we believe it is crucial that brick-and-mortar retailers aid in crafting that policy. In that spirit, we greatly appreciate the thoughtful approach of the bill's sponsor, Senator Manning, and Senate leaders. They have carefully considered our concerns throughout this process. We believe there are several things the state should include in the final iLottery program which could greatly assuage some of the concerns of brick-and-mortar retailers. First, retailers should receive a commission increase. The current commission of 5.5% has remained stagnant for decades while the Ohio Lottery has continued to set record-breaking years. A commission increase of 2% would help offset likely losses in ancillary sales

and give small family-owned retailers greater peace of mind as they navigate the impact of iLottery. In addition, the state should exclude or at the very least, delay the availability of certain games on the iLottery platform. These games include popular daily drawn games and major drivers of foot traffic like Mega Millions and Powerball. Lastly, the payout structure between in-store and iLottery must be similar. For example, if the in-store payout is 74% (meaning 74% of the game dollars are paid back in winnings) but the payout for iLottery is substantially higher, say 80%, that puts the in-store product at a major disadvantage. Lottery players are savvy and will quickly abandon the in-store games if they know the iLottery games give them a much better chance at winning. Ensuring these payouts are as close as possible is crucial.

There is precedent for these proposals as states like Pennsylvania increased commissions for retailers AND placed a one-year moratorium on Mega Millions and Powerball games as they carefully considered the impact on brick-and-mortar retailers. The PA Lottery is still able to adequately meet its funding obligations while providing these protections for retailers.

In closing, I appreciate the weight of the decisions you must make when considering the totality of this proposal, and I fully understand our perspective is just one of many on this issue. We strongly believe, however, that if retailers and lottery are going to continue to prosper together, the state must carefully consider the impact of iLottery and incorporate protections for brick-and-mortar retailers into the final program.

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.