TRAC – Fuel Tax Subcommittee 09 June 2010, Greenville Chamber of Commerce 4pm Greenville, South Carolina. Minutes by Maggie Brown

KC: Kenneth Cosgrove

DJ: David Jordan

BK: Ben Koechenower

HW: Henry Wertheimer

BW: Representative Bill Wiley

KC: I want to call this meeting to order. No additional documentation is needed from the last meeting. Everything is already on the website, anything new will be posted later. I would like to introduce Harry Wertheimer, a concerned citizen from Salem who would like to speak about his concern of ethanol. I'm required to give you 5 minutes.

HW: I would like to ask you a question, how many of you believe that by using 10% of ethanol we are helping our environment?....(no raised hands)

Anyone believe we are reducing our dependence on foreign oil by using 10% ethanol? (no raised hands)

I'm a mechanical engineer who graduated from MIT, when I first found out about E10 I called Exxon and they told me that the Federal government had mandated them to do so. I learned that the Federal mandates and subsidies only benefit the corn growers and blenders. If I were in Kansas, I wouldn't get very far in this conversation. As citizens, I don't think we should take tax dollars and give them to the grower and blenders.

KC: What piece of legislation concerns you?

HW: SC Income tax act section 12-6-3600 describes the subsidies of growers and blenders. What I would like to see this committee do is to make the public aware of it and help stop it. Here is the pivotal issue; you all agree it doesn't reduce our dependence? I've been making comparisons by plotting the average mpg after 60-70 readings and I've seen 7-8% worse mileage rates using E 10. When I looked at the highest point for 30 miles per gallon, it was so out of line that I called the gas station in New York. It turned out that they hadn't started receiving 10% ethanol yet.

Based on the average content of ethanol you could expect 3.4% loss in mpg. Now if 100 gallons =2500 miles, then that might not seem like a lot. But if your car is like mine and the mpg is reduced by 7%, that's 60 lbs more carbon because you used E10. What is the penalty of E10?

KC: Keep conversation on state agencies please.

HW: My point is, no one says I'm wrong. I would like to see a new freshmen congressman to help. My feeling is there are many more taxpayers than growers and blenders. If more people knew, then maybe there would be more pressure to back off. In Maine, Senator Lisa Marrache tried to mandate the availability of pure gas but that didn't go anywhere. The only thing we can do is ask that any tax credits be eliminated because its' not doing anybody any good.

KC: Four more minutes

HW: (passing out papers) The first pages include pretty much what I showed

you.

KC: We're really more curious about the effect on SC taxpayers

HW: Well, if we're giving 20% tax credit to growers and blenders, it's coming from our pockets.

DJ: I've been a blender for many years now and the 4cent tax credit goes back to our consumers and we have the lowest gas in the country. It doesn't address the carbon footprint, but...

HW: I have no way of knowing if my observations are typical or accurate. I don't have a device, and I know it varies. Sometimes its 10%, sometimes not. If the word got out that you could get 7% better mpg...

KC: I don't know if this is the correct committee, but I would like for you to submit a proposal so that the entire TRAC commission can look at it together.

HW: I need help to find the correct legislation that this applies. I don't know about biodiesel, I just hate to see my tax dollars go to this when it doesn't better our quality of life or the environment. (HW Testimony over)

KC: At the last meeting DOT proposed that our roads were in terrible shape and to maintain grade C level (road condition) north of 700 million dollars is needed. They maintain more roads than our neighboring states. I'm concerned about the tax that they've proposed. DOT's revenue neutral proposal is to subtract 7 cents and then add an index of 4.65%. North Carolina and Georgia do a similar thing. My main contention is that its only revenue neutral based on their last figures which are for the second half of 2009 We could pass it, but then the taxpayers would realize that it's not neutral going forward...thats a concern for me.

BK: Their proposal addresses the structure of the tax. We've heard just because price goes up, doesn't mean volume goes down. A ceiling and a floor need to be addressed. Maybe every 6 months, the price of gas should be reset.

KC: The proposal from DOT does include a ceiling and floor. They do want to set our ceiling below North Carolina's floor.

Introduce David Jordan, President of SC Assn of Convenience Stores

DJ: It's important for y'all to get it right especially when trying to put a tax on a moving target. Attempting an index tax...14 states have tried it, but the volatility of gas prices is the problem. I recommend that you make it a fixed cents per gallon which would not move unnecessarily according to the index. It would be much easier for the people and wholesalers, it would also be easier to administer. It would be a nightmare if prices were \$5. No matter what we do, we don't need to go over Georgia. Our border counties are being [hurt] by the new cigarette tax. We need the tourism, we don't need to have another reason not to come to South Carolina. Raise it if you need to, but keep us below North Carolina and Georgia. It's certainly easier to raise it if you keep it below the border states.

BK: Certainly one of our jobs is to maintain competiveness! Point well taken to stay under Georgia.

DJ: We need heads on beds. It figures when people are planning on vacation and where they fill up.

KC: SC has a reputation that you can stop and get good prices on the I-95 corridor. Best revenue comes from out of state payers.

BK: Looking at the structure of the state revenue, sales tax is way down because numbers in tourism are down. We're supposed to be looking at competiveness and taking care of our state. Looking at the moving target...when price goes up, you have to...

DJ: Well, you have a fixed cent. Even if the price from the market goes up, it would be easier to administer the fixed cent.

BK: So the tax is already built into the price you see on the pump. You react to the price that is there. I understand the volatility of it...

DJ: Everyone is used to using cents per gallon. There's always a quarter where there's a number in the index that is way off.

KC: Thank you for your testimony Mr. Jordan.

DJ: One of the problems in tourism comes from local decisions. Myrtle Beach told the motorcycle businesses that they didn't want them, which drove a lot of business out. Their helmet and noise law also discouraged the bikers from bringing their business. Local ordinances have hurt themselves because these are the same people who bring their families back later!

KC: No budget writer would be against a stable source of revenue. But we are tasked with looking at which system that would best provide that stabilization.

BK: Price doesn't necessarily influence volume. Maybe the revenue stream would balance us out. I believe it was Rick Todd who said that we should stay below...

KC: (looking back at previous notes) Rick Todd said, "We can support raising the tax if it would be only appropriated to DOT & highway system improvements were the result and diesel & gasoline were taxed at the same rate. I concur with that assessment.

At this time I would like to recognize Representative Wiley who is the hero of our recent SouthWest bill. Thank you for attending our meeting Rep. Wiley, would you care to make a comment?

Wiley: Tourism relies on infrastructure, so thank you for considering all valid points that affect the tax laws...this coming from a conservative that doesn't like taxes!

BK: I appreciate Comm. Cosgrove and how he has handled this meeting

KC: Thank you Rep. Wiley and Thank you Commissioner (BK). I propose that we meet before or after the next TRAC meeting when Commissioner Weaver can join us and make a decision on our recommendation to the full committee.

BK: (concurs)

KC: I call this meeting adjourned.