

Topeka Club Liquor

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Testimony for the House Commerce, Labor and Economic Development Committee

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Thank you, Mr. Chairman and Members of the Committee, for the opportunity to testify today opposing HB 2206. As the owner of Topeka Club Liquor, I am very concerned about the harm that could come from this legislation. I am also a member of the Kansas Association of Beverage Retailers.

I ask you to support locally owned businesses and turn down this request. This bill slashes licensing laws – allowing non-Kansas citizens to get a liquor license. There are 761 retail liquor stores licensed in Kansas today, and every one of them is owned by a Kansas citizen – an individual who is accountable for everything that happens in his or her store.

There are many issues with this legislation. The proponents promise more jobs – but only if new businesses open in Kansas just because they can now sell liquor. They underestimate the loss of jobs – not counting the self-employed owners who run their stores and support their families. (At least one estimate suggests 1500 to 3000 jobs could be lost in the first year of implementation.) Some argue that liquor store owners fear competition, but I assure you the current system is very competitive. Unlike other states, Kansas does not have limitations to the number of liquor outlets by population or geography – except that they can't be next to a church, school or college. There are no protections to keep me in business if I have not invested wisely and do not work hard. Any qualified Kansan can get a license and build a newer, bigger store right across the street from me at any time. In fact, that store could be opened by the owner of any independently owned grocery or convenience store. However, this bill completely restructures the retail liquor system to the benefit of large corporations. Then, they suggest I make up the difference by selling ice and pop.

So, I must ask the question, What is Better for Kansas?

- Support existing locally owned and operated businesses ...OR...Out-of-state corporate owned businesses. Currently, the income from retail liquor sales stays here in Kansas. Out-of-state businesses send profits to their headquarters. This would be a direct loss of income to Kansas. (Studies by various "buy local" organizations show that a dollar spent in your local small business circulates in the community 5 to 7 times more than a dollar spent at a retail chain store.)
- Close at least half of Kansas owned liquor stores – many are family businesses, supporting not only the employees but also owners and their families. For many of us, the store is our income and our retirement investment. Increasing unemployment numbers, forfeiting lease agreements and mortgages is guaranteed with passage of the bill. Every economic study conducted on this issue confirms the loss of liquor store businesses. Kansas will lose the associated property taxes, payroll taxes and income taxes, as well. Topeka certainly does not need more empty storefronts.

- Increase access to liquor. Support regulated retail sales where no one under the age of 21 years old can either sell or purchase strong beer, wine and spirits...OR...Allow 18 year olds to sell strong beer and wine and kids even younger to handle it, inventory and stock it. This is a huge responsibility with criminal consequences. Grocery and convenience stores offer many high school level jobs – why increase kids access to alcoholic liquor? What is the proposed solution for the actual sale of alcoholic liquor? This bill doesn't say anything about requiring a face to face transaction – will they be able to use the self-service scanners? What qualifies as a sale – is it the exchange of money? Is a 17 year old going to ring up the transaction with an 18 year old coming over to run the strong beer or wine over the scanner?
- Maintain a regulated industry – current law requires every retail license applicant to undergo a background check to insure that they are not a felon, are 21 years of age, have never had a liquor or related license revoked, are a U.S. and Kansas citizen, do not have any prostitution or illegal gambling ties, and more. HB 2206 changes these requirements for new applicants. Virtually anyone could qualify for a new license – it is not restricted to grocery and convenience stores. Do we want liquor on every street corner?
- The cost of many products will go up. Allowing any and all businesses to sell alcoholic beverages will increase the cost of distribution with no guarantee of increased sales. Past Kansas experience indicates that adding outlets in a community spreads out sales without increasing overall purchasing. I have heard people complain that Missouri prices are cheaper – but did you know that Missouri tax rates are about half that of Kansas? Plus, large target markets like St. Louis and Kansas City, MO, receive larger quantities of product to be sold at lower prices.
- Preserve choice. Liquor stores carry more variety than the big box stores, grocery or convenience stores. While the number of overall licenses is likely to triple, the availability of most brands will decrease based on corporate models of marketing fewer well known and advertised brands. Do consumers want more choices or fewer choices?
- Who will enforce the Kansas Liquor Laws? Nearly everyone agrees that enforcement is important, but allowing all businesses to sell alcoholic beverages is likely to triple the already huge burden on our current state enforcement agencies. More enforcement officers will need to be hired and trained to insure that all regulations are followed. This means more state employees and increased agency budgets – unless we expect to throw this additional burden back onto our local police department. The fact is, our state agency is already overburdened. Recent complaints turned in to the agency regarding cereal malt beverage products being sold under cost in two separate cities were simply turned over to local enforcement – who did not have the resources to conduct a real investigation, which would have included reviewing purchase orders and receipts and going to the wholesalers for verification. Will the State actually budget \$1.5 million for the ABC?

We all know that businesses do fail. Normally, the failures are caused by a weakened economy, a bad business plan, a bad location, an inferior product, increased competition, etc. But it isn't often that an established business fails because the State changes the rules under which the business was established, thereby handing the market to someone else. Locating my business next to Sam's Club was a wise business strategy under the current Kansas laws – but it virtually assures the destruction of my business if this bill passes. Even if Sam's Club is willing to buy a license to get into the liquor business in the first 18 months of this law, they are my landlord. They have no motivation to buy mine – *except that I might be desperate to sell it at a bargain basement price when my lease is cancelled*. A representative of the company was already in my store measuring the floor space and shelving layout. And even those stores who are not directly leasing from the new competition will be in jeopardy of losing their leases due to the inclusion of liquor non-compete clauses by the anchor grocery stores in their retail development complex. If my business is wiped out, it will leave me and my husband in a terrible position, as there is still a good deal of money owed for the business. I would have to invest tens of thousands of dollars to start again in another location. The Sam's Club can simply knock out the wall.

I have spent a good deal of time coming to the Capitol to meet with legislators and I truly appreciate their willingness to speak to me and to educate me about their views. Some of these meetings have created even more worry for me as legislators told me that the proponents of this bill have assured them that it would make anyone who wanted to get into the business buy a license – HB 2206 does not. They said the proponents promised they would prohibit corporate licensees from selling spirits – HB 2206 does not. They said there would be a transition period for liquor stores to invest in growing their businesses – this bill doesn't allow that. They said they would have the same level of regulation that current stores have – this does not. Do we really think that a \$500 fine has the same level of deterrence to Wal-Mart or Menards as it does to me? Will their records be as easily available?

Thank you for your time and attention. This is an issue that raises great worry and emotion from those of us who are directly impacted. It is personal. Please do not pass HB 2206, and if further study is needed – please know that I and the members of the Kansas Association of Beverage Retailers will be willing to meet with you and provide any information that is needed.

Sincerely,

Patricia Drake