

HB 2200 – House Commerce Committee – Opponents – February 12, 2015

These are notes and not a transcript - my best attempt to capture the discussion. KABR will post the testimony on the website.

Announced the Committee is being broadcast to television in the hallway.

Distributed documents to clarify the NAICS codes in the bill and what they include.

Former Rep. Jim Howell - Not representing Sedgwick County Commission. Not a liquor store owner. Not here to defend them. I'm here to defend the current state law.

I'm a lover of small government and free market principles. But those are not accurately represented in this bill. There is a reason to regulate alcohol.

I remember from my time in the Legislature

This bill is actually about more government. The arguments about antiquated liquor laws and free market are misguided. We have updated liquor laws every year. I recall the Mega-Liquor bill from a few years ago. Kansas is very progressive in many ways when it comes to liquor, we are no longer a state of prohibition. I have polled my constituents in Sedgwick County and they do not support it.

If you poll your district and talk to the people in your communities, you will find that there isn't a problem to be solved. In my district, we have convenience – liquor stores attached to convenience stores.

Uncork is not free market – just moves the line on who is included.

750 independently owned stores are not a monopoly. If you change this law, you will find a few corporations begin to dominate the market. We don't have that kind of dominance now.

Reviewed cost of the law- hiring more agents, licensing personnel.

My primary concern is the social cost of expanding access to alcohol.

As an economic committee, this bill is a loser. This committee would be picking winners and losers economically. The Mom and Pop stores have invested generations into their businesses.

Frances Wood – Women's Christian Temperance Union – local and statewide

Opposed HB 2200 for valid reasons. Last year, Rep Tietze asked me if I had evidence supporting the relationship between number of locations and

Quoted study.

Wearing number 117. Number of people killed in alcohol related traffic deaths in 2012. More outlets = more consumption. Do we want more of number 117? There are other reasons to oppose this, but for me, this is the thing.

A recovering alcoholic may not need to go to a liquor store, but he or she does need to go to a grocery store.

A youth can disappear in a big grocery store, but are easily spotted in a liquor store. One representative said we should have an equal playing

You can't just sell anything anyplace. Just try selling firecrackers in Topeka in December. One of the pharmacies has stopped selling tobacco, but they are one of the leaders in stocking alcohol. They ought to be touting dropping alcohol, because it leads to so many cancers.

If you don't remember anything else from what I am saying, remember that 117 figure. (Wearing that around her neck) It is true that selling alcohol is not selling lettuce.

Tuck Duncan – KS Wine and Spirits Wholesalers Association

10th annual Tuck Duncan and Frances Woods show.

Why do we want to screw up a great system. Just because it is an old system, doesn't make it a bad system. We have a 90+

Just because I want something, doesn't mean I get something. I want a cabin in the mountains, but

The proponents want this, but that doesn't mean that you have to act.

A protectionist law is not necessarily evil or bad. Liquor is the only subject in the constitution twice – prohibition and repeal.

Car Dealers on Sunday. Real estate sell brokerage. Ag laws. Pharmacy laws. Are you going to change those things? Of course not. History book of why we have the system we have today.

We think that HB 2200 deconstructs the efficient safe orderly market we have today in the state of Kansas.

This bill affects two systems – the package liquor store system and the malt beverage system. If you are really wanting to move both,

To modify the beer system at the same time of changing the liquor system is destructive.

We have 1333 accounts in the state of Kansas that have on-premise 3.2 sales. So, you will have a massive effect on those businesses. Included information from Kansas.

A question was asked if anyone had made any proposals. This testimony includes six of the things we have discussed.

- Bill allows up to 25% ownership by a felon – today we have none.
- Establish minimums to hedge against the increased costs of distribution

- Language where inside a grocery store
- License shouldn't be allowed to go dormant
- NAICS codes are horrible. They are over broad. We need definitions exactly. Create some object criteria. Is a grocery store a 51% food store
- Rules and regs procedure. Must require R & R to pass in first year.

Egg display

Whitney Damron – KS Association for Responsible Liquor Laws
Attached a membership list.

Déjà vu all over again. Another year, another Uncork bill a little different than before. We see this year in and year out. If you look at the Uncork Coalition, you can see that it is driven primarily by out of state large corporations – includes list of top private corporations ranked nationally.

Go back and look at that study quoted by Uncork yesterday. Their study says 1500 jobs lost. Prof. Kenneth Chris and Wichita State University – study last year on last year's bill. On full implementation more than 1600 jobs lost. Virtually no new jobs created. Two different studies, two different bills. Both say jobs lost.

Not a monopoly – touched the definition. This legislation will allow for monopolization of the industry by allowing large corporations, multi-state chains to purchase licenses and dominate the market.

They say it will create a value – it might. Or it will be a race to find the two or three stores in the county who are willing to sell at the lowest price. Can find a run down store with an owner who wants to get out, purchase at low price and move that license to the HyVee store across the street from Clayton Devlin's store here in Topeka. They don't have to offer to buy his license, from a successful business, at a real price. But they can open

We think that the Uncork proposal rewards the worst retailers in the business, harms the best. Tax Increment Financing – Community Improvement Projects – Google it with Kansas / Dillons / Walmart.

They are also known to shut down unprofitable stores – move down the road and open a new store – possibly in another TIF district leaving dilapidation behind.

Polling from Grocery Store survey – why went out of business – not due to inability to sell liquor, but due to the effects of big box stores coming to their communities.

Steve Faust – MDL

Representing family and family stores.

Decision to invest \$2 million – would never have made that decision if had thought that I would be competing with Dillons, Walmart, HyVee and QuikTrip.

Quote passage from Governor Brownback regarding not moving backward in policy moving forward – Kansans know the importance of a promise, whether to a business, family or friends. Well, Kansas made a promise

Feel it is the duty of this committee if you do want to change the system for selling
Concerns born not out of fear that I am going to take paycut.

If you are a supporter of Uncork Kansas, I expect you would demand that they provide a plan for
a long transition and opportunity to acknowledge the value of existing businesses.

Ron McDowell – consumer – Wichita

I'm just a consumer out of Wichita Kansas. I wanted to express my opinion. From my
understanding, the dramatic effect this bill will have on small businesses. The people that
support those businesses, insurance companies, others.

The employees – their jobs –

The average liquor store, from my understanding, has about a \$250,000 budget. That money
would likely go out of Kansas.

Liquor stores have 21 year olds – no underage.

Concern about underage drinking.

The large corporations have vendors to stock their shelves – so there won't be a lot of
I know watching a shoplifter walk out of Dillons with a full basket – was told they couldn't do
anything about it because of the danger of confronting someone outside the store.

Also – the issue of those who

Are we ready for the impact on underage drinking?

Are we ready for the increase in social program we will need?

If we want a free market, why do we have such regulations on alcohol? If we want to sell
alcohol in a free market, the price is controlled by supply and demand.

This would issue a death sentence for those Kansas owned businesses.

Phyllis Setchell – read for Donna Lippholdt, Culture Shield Network founder

Represents churches, pastors, citizens statewide.

Chilling to see the encroachment of lobbyists to Kansas.

It is our belief

Would allow 18 year olds to sell and stock liquor – enormous temptation for our underage kids.

Temptation for those who have stopped drinking, who have no need to go into a liquor store.

Liquor locations that are close together = strong connection between alcohol and violence has
been clear for a long time. Now we know there is a link between the physical locations and
those

If anyone says selling hard liquor in grocery and convenience stores is good for commerce
doesn't understand Kansans.

Brandon Plaschka – Plaschka and Kramer Liquor

Read testimony.

Located in Princeton at Peak and Plumb, take a peek around the corner, and you're plumb out of
town.

Number of customers in my convenience store vs. my liquor store is 9 to 10 times. I don't sell 3.2 in my convenience store

Another thing this group wants in this bill is to make it easier for them to get a license. The ease and convenience for purchases that is cited is also ease and convenience of access to liquor that maybe should not.

Having a returning veteran, my son, home now – he has a alcohol problem.

Have two sons in the service and I worry about them every day. I work in both stores and I know my customers. If you have ever had

I've called for help for my customers and I don't think that will happen in the retailer liquor store.

Seth Fox – High Plains Distillery – Most Wanted

First distillery in Kansas since 1881.

10 employees / 5 are family members

Top 15 in the nation in terms of volume as far as small distillers. If I wasn't in Kansas, I probably wouldn't have made it. We've had good growth in Kansas and we've gone nationwide. I meet other distillers who wish they were in Kansas, rather than those states where it is completely open. I don't think we should

If this is about the price of alcohol, abolish the tax. That isn't going to happen.

How are you going to increase the stores by thousands and inspect all of those without increasing the tax even more.

Washington

Retail stores in Kansas are very knowledgeable and have expertise on the product. I am very impressed when I go into the stores. Even if you don't buy my product, find a local product

We were in 42 convenience stores in Missouri, but one stroke of the pen and we are out. It is very difficult to compete against the big suppliers with big advertising budget.

It is going to add more stress

We are talking about a nightmare for repositioning on distribution and marketing.

You will dilute the market so much that only the big guys will win in the end.

Please do not pass this. Reject it.

It's going to really impact us – we are probably the largest in Kansas. We probably turn in the most gallonage tax

This is a good state to be in and we appreciate it

Jeff Grantham – Central Wine and Spirits

Amy Campbell – KS Association of Beverage Retailers

Corbet -

Dannebohm – there were meetings with both sides, but this bill is just the Uncork version. Did you provide amendments in those meetings?

Campbell – at the October meeting, at meetings last week, and same as the testimony today and in past several years, we have provided our concerns and issues along with information about how those issues have been handled in other states where possible. In October, they were asking us to support the new bill, and we do not have amendments to offer that would resolve that. Since the beginning of these bills, I have researched other states ad nauseum, and there is no example out there to use to set up this change and not harm our small business owners. We don't have the answer to changing this system to a corporate system and not hurting people.

Corbet – we keep talking about how we want to be like other states, so with this bill – how many states would be like this floor plan?

Campbell – There are no other states who have transitioned from a private independent retail model to create a corporate retail model. This is an experiment. And we have no way to know in advance how it would work – but we know it hasn't been done anywhere else.

Claeys – under existing rules, would you support a law that would allow you to own more than one store?

In theory, you might want that ability. The problem is that would be leading down the slippery slope that would lead down the road to Dillons having 60 licenses.

If I felt there were reasonable assurances that we would change the law to allow individuals to own multiple stores but not incorporate

Claeys – and that is because you believe you should be able to expand your business and replicate your success correct?

Billinger – you talked about the issue of the delay. How long is long enough delay?

Campbell – that depends on the individual business owner. I have spoken to business owners who have their home as the collateral on their business loan and that may be up in three years or five or ten. That is very individual. If you want to make this change, you would have to talk to the individual business to understand what they would truly need to be able to transition to the new system with the shirt on their backs.

Billinger - you talked about this issue with perimeter and with buying licenses and their value. How would we set up the right amount to buy a license?

Campbell – yesterday, Mr. Dillon suggested they would pay six figures. A quick poll of my board indicated that \$100,000 wouldn't cover their investment in their businesses.

Brunk – question to Tuck Duncan – help me understand the dormancy issue

Duncan – there is no law that says you have to use a license if you hold one. Therefore, we think it is very important to have language that prevents licenses from being held dormant. If

someone buys licenses and doesn't use them, or if they are held by the agency, those are fewer outlets for our wines and spirits.

Corbet – I serve on the energy and utilities committee and it seems to be the same here. If we can't get what we want, we'll go to the Legislature and have them give it to us. It's like the eminent domain thing where you don't want to sell us your property, so we'll go make a law so we can take it for the amount of money we want to pay. It just seems to me that this is the same thing. Some people don't like the way things are and so they want the Legislature to change the rules to give it to them. Is that about right?

Damron – wouldn't disagree with that. The issue here is that the system they've created in order to address the problem doesn't do that. It's like Willy Wonka and the golden ticket. I've been trying to think about how this would take place and I imagine there will be a few owners that this will be like getting the golden ticket. For the rest, it is a race to zero.

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