

OPPOSITION TESTIMONY ON HB 2206
HOUSE COMMERCE, LABOR & ECONOMIC DEVELOPMENT COMMITTEE

Steven F. Faust
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8850 W. 95th Street
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Chairman Kleeb and Members of the Committee:

My name is Steve Faust and I am the owner of MDL Wine & Spirits in Overland Park. I am here today in an attempt to put a face on Uncork Kansas legislation and its potential impact on Kansas retailers and their families. I am not only representing myself, but also my wife, brother, sister-in-law and my father as we are all retailers in Kansas. We feel, as do all Kansas retailers that Uncork Kansas legislation would destroy our businesses, business investments, savings, and futures simply to benefit the bottom line of multi-billion dollar retailers like Wal-Mart, Hy-Vee, Quik-Trip and Kroger/Dillons, whose corporate offices reside in Arkansas, Iowa, Oklahoma and Ohio.

While these corporate titans want this debate to be about free market principles, I disagree. I feel the issues are about 60 plus years of previous legislative bodies' commitment to Kansas small business owners and good public policy. In 2008 I was presented an opportunity to expand my business by opening a new store in Johnson County. I decided on this location after it was announced that a Hy-Vee superstore was scheduled for an early 2013 opening in a neighboring center. I secured financing through Freedom Bank, a local banker familiar with my business and invested my life savings, pledged all my business and personal assets and signed a 10 year lease on a 23,000 sq. ft. space. When I made the life changing decision to make this investment, I gave significant consideration and weight to the existing state law that limits the sale of liquor, wine and strong beer to retail liquor stores only. By doing so, I was acting in reliance of Kansas liquor laws that date back to 1948. I never would have made that decision knowing that three years after opening, I would not only be competing with Hy-Vee, but CVS, Walgreens, 7-Eleven and Phillips 66, all located at this intersection. Since I am only in year 3 of a 10 year strategic plan, I can assure you that if Uncork Kansas legislation passes, I will be one of the estimated 50% of retailers that is driven out of business as the proponents own study estimates.

I'm sure most if not all Kansas retailers realize that you were elected to represent all Kansans and make tough decisions that are in the overall best interest of Kansas. While we would be disappointed and personally devastated if Uncork Kansas proposed legislation was enacted, we could understand the decision if it was going to create 1000's of new jobs and generate 10's of millions of new revenue for the state, but that just isn't the case. In fact, it's just the opposite. Industry experts estimate that under the proponents plan roughly 70% of all retail transactions for off-premise consumption will be done by corporate chains. This means that today, 100% of all profits generated under the current system are earned by Kansas small business owners and re-invested in the Kansas economy. In fiscal year 2012, the Kansas Department of Revenue reported \$56,000,000 in Liquor Enforcement Tax collections. This equates to roughly \$700,000,000 in gross sales made by Kansas liquor retailers. Using the national average 20% profit margins for retail liquor sales, Kansas retailers generated roughly \$140,000,000 in gross profit. Economic studies show that dollars spent locally multiply 5 times, meaning these profits generated \$700,000,000 in economic activity in Kansas. Kansas liquor retailers employ over 3500 people statewide, use local bankers, accountants, lawyers, service and supply companies and live and pay taxes in their community. Under the proponents plan, 70% of those profits would be diverted to their corporate offices to be distributed to their shareholders with no resulting economic benefit.

The Kansas Division of the Budget concluded in its February fiscal note that the overall sales of alcohol are not expected to increase due to Uncork Kansas' proposed legislation. What Uncork Kansas' proposed legislation doesn't address is the cost to the state to regulate and enforce liquor regulations in over 2000 additional locations. In February, the Kansas Department of Revenue issued a report estimating that this legislation would cost the state an additional \$1,900,000 annually in increased enforcement and regulation expenses.

In Kansas today, we have 1 retail liquor store per 3700 people. The national average is 1 retailer per 3000 residents. Uncork Kansas legislation would increase the number of outlets to over 3000, creating a ratio of 1 per 965 residents. If Kansas citizens are being under serviced when it pertains to off-premise liquor consumption, the current system is well equipped to meet their needs. I would suggest that Kansans historic conservative values concerning alcohol still apply today. A recent survey conducted for Keep Kansans in Business by the national polling firm, Public Opinion Strategies, found that 66% of Kansans do not favor a change in liquor laws, 77% believe that minors should not be allowed to handle the sale of alcoholic products and 70% think these changes would be bad for the Kansas economy.

Like all retailers in the State, my family made decisions about the size of our stores, locations, layout and product mixes based on the laws that have been in effect for over 60 years. If Uncork Kansas legislation is passed, every business decision I have ever made concerning every aspect of my business will have been wrong and leave me without the ability to remedy them.

I strongly urge you to vote no on any legislation introduced by Uncork Kansas. This proposed bill is an attempt by the world's largest retail corporations to apply free market principles to a product that society has historically insisted on being regulated for the good of the general public. I encourage you to let this bill die in committee where it belongs.

Thank you for your time and consideration of the information I have put forth concerning Uncork Kansas legislation.

Sincerely,

Steven F. Faust
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Posted on Tue, Mar. 05, 2013

Don't penalize small Kansas liquor stores

By STEVEN F. FAUST
Special to The Star

This week, the Kansas Legislature will hold hearings concerning Uncork Kansas' proposed legislation to relax liquor laws in Kansas. Uncork Kansas, which comprises Wal-Mart, Hy-Vee, Kroger/Dillons, QuikTrip and other national retailers wants to frame the discussion as a debate on free market principles.

Unfortunately, it's not that simple.

I feel the issues are 60-plus years of previous legislative commitment to Kansas small business owners and good public policy.

All Kansas liquor retailers gave significant consideration and weight to existing Kansas laws that limit the sale of liquor, wine and strong beer to retail liquor stores.

Liquor retailers acted in reliance on those laws when we made the life-changing decision to invest our savings and pledge our personal assets to lenders and landlords.

We made decisions about store location, size, layout and product mix based on those laws. In the few states that operate under Uncork Kansas proposed legislation, more than 70 percent of alcohol sales take place in corporate chains.

Grocery and convenience stores' own economic study estimated that more than 50 percent of current retailers would close if the laws change. Currently, all profits generated from the sale of adult beverages are reinvested locally.

Kansas liquor retailers employ more than 3,500 people statewide, use local bankers, accountants, lawyers, service, and supply companies and live and pay taxes in their community. Economic studies show that dollars spent locally multiply by a factor of five.

These profits account for more than \$700 million in economic activity in Kansas. Uncork Kansas members are based in Arkansas, Iowa, Ohio and Oklahoma and would divert these profits back to their corporate offices to be distributed to their shareholders with no resulting economic benefit to Kansas.

In Kansas today, we have 761 retailers servicing 2,885,000 residents, which equates to one retail liquor store per 3,700 people.

The national average is one retailer per 3,000 residents.

Uncork Kansas legislation would increase the number of outlets to more than 3,000, creating a ratio of one per 965 residents.

If Kansas citizens are underserved when it pertains to off-premise liquor consumption, the current system is well equipped to meet their needs.

I would suggest that Kansans' historic conservative values concerning alcohol still apply today.

A recent survey conducted for Keep Kansans in Business by the national polling firm, Public Opinion Strategies in Alexandria, Va., found that 66 percent of Kansans do not favor a change in liquor laws, 77 percent believe that minors should not be allowed to handle the sale of alcoholic products and 70 percent think these changes would be bad for the Kansas economy.

The Kansas Division of the Budget concluded in its February fiscal note that the overall sales of alcohol are not expected to increase because of Uncork Kansas proposed legislation.

What Uncork Kansas doesn't address is the cost to the state to regulate and enforce liquor regulations in more than 2,000 additional locations.

Recently, the Kansas Department of Revenue issued a report estimating that this legislation would cost the state an additional \$1.9 million annually in increased enforcement and regulation expenses.

Kansas has developed a system for the legal purchase of a regulated product that has served the state well for more than 60 years.

The changes proposed by Uncork Kansas only serve the interests of the world's largest retailers at the expense of Kansas small businesses and their employees.

They do not reflect the opinions or values of most Kansas residents.

Steven F. Faust of Overland Park owns MDL Wine & Spirits at 8850 W. 95th St. in Overland Park.

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