

Testimony

TO: The Honorable Anthony Brown, Chair
And Members of the House Commerce and Economic Development Committee

FROM: Steve Faust
Kansas Resident

RE: HB 2532 - An Act concerning Alcoholic Beverages; relating to retailer's licenses
under the Kansas liquor control act

DATE: February 8, 2012

Good afternoon Chairman Brown and Members of the Committee:

My name is Steve Faust and I requested to appear before you today so I could attempt to put a face on HB 2532 and its potential impact on Kansas retailer's and their families. I am not only representing myself, but also my wife, brother, sister-in-law and my parents as we are all retailers in Kansas. I opened Faust Wine and Spirits in August of 1990 as a secondary source of income at the age of 28. After 2 years I decided that I would make this my full time career. My wife and father opened a store in 1994. After seeing the success of these stores my brother opened his store in 1996, followed by my mother and sister-in-law opening their store in 1999. We feel, as do all Kansas retailers that HB 2532 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 or consumer choice, 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 north central Johnson County. I decided on this location because of the opportunity to be in on the ground floor of the complete redevelopment of this area after years of neglect. One aspect of this redevelopment was a Hy-Vee superstore in a neighboring center scheduled for opening in late 2012. After a year of searching for financing and being turned down by 5 national banks during one of the worst economic downturns in history, I was finally able to secure financing through Freedom Bank, a local banker familiar with my businesses. I 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 to 1948. I never would have made that decision knowing that two years after opening, I would not only be competing with HY-Vee, but CVS, Walgreens, 7-eleven, Phillips 66 and a neighboring retailer, all located at this intersection. I am here to assure you that if HB 2532 passes, I will be one of the estimated 50% of retailers that is driven out of business as the proponents own study estimates.

House Commerce & Economic Development

Date: 02/08/12

Attachment #: 4-1

I also feel that HB 2532 is not only financially devastating for me, my entire family and other retailers; it is bad fiscal policy for the State of Kansas. 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. Under the proponents plan, 70% of those profits would leave the state to benefit only the world's largest corporations previously mentioned. And that is just the beginning; we will also see a significant reduction of employees who are currently employed in the industry. My family employs over 60 people in Johnson County with high paying jobs and competitive benefits. Most of these jobs will be lost because the corporate stores will only have to slightly change their product mix to accommodate alcoholic beverages with no need for additional staffing. My family represents only 4 retailers out of 750 statewide so the impact on employment will be quite high. While proponents and opponents both agree that with potentially 3000 additional locations there will not be a significant increase in consumption, the State will have to regulate and oversee these 3000 additional retailers which will undoubtedly increase State expenditures without a corresponding increase in revenue.

I would also like to address the portion of the bill that that allows for persons of 18 years of age to be eligible to handle the merchandising, selling and transporting of alcoholic beverages. As a parent of 3 boys, ages 16 to 20 I can personally attest to the trials and tribulations of raising teenagers. I feel all parents have enough difficulties in dealing with the social temptations that our children face today, and find the proponents of HB 2532 to be promoting bad public policy by allowing minor's access to alcoholic beverages in over 3000 locations state wide. In Kansas today, we have approximately 1 retailer per 3600 residents. The national average is 1 per 3000. HB 2532 proponents would have Kansas ratio changed to 1 retailer per 900 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 and that is the reason our ratio is slightly lower than the national average. Kansas citizens who are interested in alcoholic beverages are currently having their needs met by a network of suppliers, wholesalers, and retailers under a system that has been in place for over 60 years. They shop stores where the owners live in their community, provide a wide and diverse product selection with knowledgeable sales staffs at competitive prices. Under the proponent's plan, there will be 3000 locations with small selections, undertrained staffs including minors and a loss of family owned small businesses that all agree benefit the economy and employment. While some of you may have received emails in support of this bill that are being driven by the proponents websites and in-store marketing, I think once those same residents learn the real world details behind this bill you would not find much support.

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. While the proponents would have you believe that by giving current retailers the ability to add additional products or only allowing for strong beer and wine to be sold at these new locations that would give us a reasonable chance to compete. I find that statement ludicrous and self serving. No small business owner has ever been able to compete with these corporate giants and Kansas liquor store owners are not going to fair any differently. When these corporations want market share they know how to get it and it will be only a short matter of time before a majority of retailers are either out of business or forced to sell. If HB 2532 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 HB 2532. 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 be 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 HB 2532.

Sincerely,

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