

Approved February 25, 1986  
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Representative Lloyd D. Polson at  
Chairperson

9:00 a.m./~~p.m.~~ on February 20, 1986 in room 423-S of the Capitol.

All members were present except:

Committee staff present:

Raney Gilliland, Legislative Research Department  
Norman Furse, Revisor of Statutes Office  
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee:

Representative Rochelle Chronister  
Robert W. Perrine, Checkrite  
Representative Michael Peterson  
Jim Yonally, Director of Governmental Relations, Kansas Chapter of National  
Federations of Independent Business  
Bud Grant, Executive Director, Kansas Retail Council  
R. J. Kepus, Check Express  
Frances Kastner, Director of Governmental Affairs, Kansas Food Dealers

The Chairman read a letter from D. L. Hood, Head, Department of Animal Sciences and Industry, K.S.U. inviting the members of the Committee to attend the 73rd Annual Cattlemen's Day Program on the campus of K.S.U., March 7, 1986.

The Chairman distributed copies of a bill draft designating Harney silt loam as the state soil of Kansas, and asked the Committee if they wanted to introduce it as a Committee bill. The Agronomy Department at K.S.U. requested the bill. Representative Bryant moved the Committee introduce the bill, by request. Representative Solbach seconded the motion. The motion passed.

Norman Furse explained two bills the State Grain Inspection Department requested the Committee introduce. One would give the Director authority to levy civil penalties under the warehouse act. The second bill provides for a factor only determination fee of \$5.00, adds language from the federal warehouse law about fully functional facilities and increases the rate of the late filing fee. Representative Hamm moved the Committee introduce the two bills for the State Grain Inspection Department. Representative Solbach seconded and the motion passed.

Raney Gilliland explained a bill that was requested by the KCCI. The bill amends and repeals existing sections of KSA 60-2001 and KSA 60-2003. Items which may be included in the taxation of costs are fees and expenses which may be assessed as additional court costs. Representative Freeman moved the Committee introduce the bill. Representative Long seconded the motion. The motion passed.

Hearing on H.B. 2849-An act concerning worthless checks:

Representative Chronister testified H.B. 2849 is an attempt to reduce the number of worthless checks which are given to merchants, Attachment I.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,  
room 423-S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 20, 1986.

Representative Peterson informed the Committee his bill, H.B. 2965, was requested by county treasurers and addresses the problem of insufficient checks given to offices that serve the public. The current statute allows for a \$3.00 service which they have found not to be cost effective. They would like to change the fee to \$10.00. He requested this be amended into H.B. 2849.

Robert W. Perrine reported he operates a check recovery service for retail merchants. He stated the present laws are not strong enough to deter the bad check writer from continuing to write worthless checks. He stated in the city of Topeka 1,500 checks a day are returned to merchants, Attachment II.

Jim Yonally testified in support of H.B. 2849. In other states that have passed similar legislation, the number of bad checks has dropped 20% to 30%. He also recommended amending provisions of H.B. 2965 into H.B. 2849, Attachment III.

R. J. Kepus testified in support of raising the \$3.00 fee to \$10.00. Change line 77 so they as an industry could take a party to court on a group of bad checks at a time.

Bud Grant presented testimony to the Committee, Attachment IV, and testified in support of the bill.

Frances Kastner appeared in support of H.B. 2849. The damages of triple the amount of the check up to \$500 and attorney fees plus the amount of the check would deter some writers of bad checks. She requested an amendment that the claims filed for the collection of bad checks not be included in the limitation of five filings in one year, Attachment V.

The written testimony of James S. Maag strongly urging favorable consideration of H.B. 2849 was distributed to the Committee, Attachment VI.

The hearing on H.B. 2849 was closed.

Representative Sallee moved to approve the minutes for February 11, February 12 and February 13, 1986. Representative Jenkins seconded and the motion passed.

The meeting was adjourned at 10:00 a.m.



STATE OF KANSAS



TOPEKA

HOUSE OF  
REPRESENTATIVES

ROCHELLE CHRONISTER  
ASSISTANT MAJORITY LEADER  
REPRESENTATIVE, NINTH DISTRICT  
WILSON-WOODSON COUNTIES  
LIBERTY AND NEOSHO TOWNSHIPS  
IN COFFEY COUNTY  
ROUTE 2-BOX 321A  
NEODESHA, KANSAS 66757

COMMITTEE ASSIGNMENTS  
VICE CHAIRMAN: WAYS AND MEANS  
MEMBER: CALENDAR AND PRINTING  
COMMUNICATIONS, COMPUTERS AND  
TECHNOLOGY

TESTIMONY BEFORE THE HOUSE AGRICULTURE AND SMALL BUSINESS COMMITTEE

Thursday, February 20, 9:00 a.m.

House Bill 2849 which is before you today is an attempt by the sponsors of the bill to reduce the number of worthless checks which are given to merchants.

National statistics indicate that 50% of the new businesses which start up fail within two years. One of the major factors in those failures is frequently the inability to collect on bad checks. A new business is operating on a very narrow margin of profit and a few worthless checks can push profit rapidly into the loss column. The same is true for established businesses which traditionally operate on a high volume/low percentage of profit such as grocery stores.

HB 2849 prescribes civil penalties for the giving of a worthless check which would allow the holder of a worthless check to recover three times the face value of the check to a maximum of \$500 and with a floor of \$100 in penalties plus the face value of the check.

The penalty can only be applied if not less than 21 days earlier the person holding the check has sent a letter by restricted mail to the last known address of the check maker announcing that if the face value of the check is not paid in 21 days triple damages may

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Attachment I

Testimony  
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be incurred. After commencing the action the defendant may pay the check and incurred court and service costs, plus reasonable costs of collection and attorney fees.

If the court or jury determines failure to honor the check is due to economic hardship the court or jury may waive all or part of the damages.

Section 2 of the bill also amends the small claims court statutes to allow collection of the penalties under that jurisdiction; although the value may be over \$500.

The bill is not restricted to small claims court and is only optional to that court.

The question has been raised as to whether the number of claims in small claims court should also be raised; however I don't believe that is necessary to accommodate this bill. I believe the threat of triple damages after 21 days will bring the givers of worthless checks in with the money before the 21 days are up.

Jim Yonally with the National Federation of Independent Businesses (NFIB) will elaborate on some of the areas that their organization is prepared to help with if this bill becomes law as it has in several other states including Idaho, Hawaii, Alaska, Oregon, Iowa, North Carolina, Delaware, Montana and California.

# CheckRite®

TO: HOUSE AGRICULTURE AND SMALL BUSINESS COMMITTEE

FROM: ROBERT W. PERRINE, OWNER OF CHECKRITE, A CHECK RECOVERY SERVICE  
FOR RETAIL MERCHANTS

SUBJECT: HOUSE BILL 2849 ("WORTHLESS CHECKS")

WORTHLESS CHECKS TAKEN BY MERCHANTS IS AN INCREASING PROBLEM THROUGHOUT OUR STATE OF KANSAS. NEW LEGISLATION MUST BE PASSED TO TRY AND REDUCE THE MANY DOLLARS IN LOSSES OUR RETAILERS HAVE EACH YEAR. OUR PRESENT LAWS ARE NOT STRONG ENOUGH TO DETER THE "BAD CHECK WRITER" FROM CONTINUING TO WRITE WORTHLESS CHECKS.

IN THE CITY OF TOPEKA ONLY, THERE ARE NEARLY 1500 CHECKS PER DAY RETURNED TO MERCHANTS. THESE ARE CHECKS RETURNED FOR ALL REASONS AND AMOUNT TO NEARLY 30,000 CHECKS PER MONTH. MANY OF THESE CHECKS ARE PAID BUT A LARGE NUMBER OF THE BALANCE ARE SENT TO SEVERAL AGENCIES FOR COLLECTION.

ANY AGENCY COULD TALK OF SITUATIONS WHERE THE CHECKWRITER WILL WAIT UNTIL THE CHECK IS FILED WITH THE DISTRICT ATTORNEY AND THEN AND ONLY THEN WILL HE PAY THE CHECK. THE REASON BEING, THAT THEY ONLY HAVE A \$3.00 BAD CHECK PENALTY WHEN IT IS FILED WITH THE DISTRICT ATTORNEY'S OFFICE. THE AVERAGE COST FOR THE D.A. OFFICE TO FILE CHARGES IS \$86.00. FROM THESE FIGURES WE CAN SEE THAT A CHANGE IS NEEDED.

I HAVE ENCLOSED A COPY OF AN ARTICLE PRINTED BY THE AMERICAN COLLECTORS ASSOCIATION JANUARY '86 ISSUE THAT DISCUSSES THE PROBLEM AND WE AT CHECKRITE BELIEVE THIS CAN BE PART OF THE SOLUTION TO OUR "BAD CHECK PROBLEM".

220 S.W. 33rd St., Suite 202 • P.O. Box 5632 • Topeka, KS 66611 • (913) 267-3030

2-20-86 Hs. ASB  
Attachment II

CHECKRITE AND OUR SEVERAL HUNDRED CLIENT MERCHANTS STRONGLY URGE THE COMMITTEE TO PASS HOUSE BILL NO. 2849.

WE ALSO STRONGLY URGE THE COMMITTEE TO AMEND BILL NO. 2849 TO EXEMPT BAD CHECKS FROM THE NUMBER OF CLAIMS MADE IN ANY ONE YEAR FILED IN SMALL CLAIMS COURT.

WHILE WE UNDERSTAND THAT MANY CLAIMS WOULD NOT BE FILED IF THE POSSIBILITY OF TREBEL DAMAGES PLUS COSTS WAS CHARGED TO THE CHECKWRITER, WE DO KNOW THAT THERE WILL BE SOME FILINGS MADE. AN AVERAGE SIZE GROCERY STORE COULD HAVE MORE THAN 20 - 25 FILINGS A YEAR. COLLECTION LAWS WILL NOT ALLOW A THREAT OR NOTICE OF COURT PROCEEDINGS TO BE MADE WITHOUT THE INTENT TO FOLLOW THROUGH WITH THAT THREAT. WHEN A BUSINESS HAS USED HIS FIVE FILINGS UNDER THE PRESENT SMALL CLAIMS LAW, HE WOULD BE UNABLE TO ADVISE THE CHECKWRITER THAT A CLAIM WOULD BE MADE.

OUR OFFICE FILES APPROXIMATELY 20 - 25 CASES PER WEEK WITH THE DISTRICT ATTORNEY'S OFFICE.

*CRED-ALERT is a monthly bulletin about legislative and other matters affecting creditors' remedies.*

*Editorial Offices: American Collectors Association, Inc.  
4040 West 70th St.  
Minneapolis, Minnesota 55435  
Subscriptions and Distributions by ACA members only.*

## HOUSE BANKING COMMITTEE APPROVES CHECK HOLD BILL

The Banking Committee of the U.S. House of Representatives has approved legislation that would limit the amount of time financial institutions can hold customer's checks before clearing them.

The bill, H.R. 2443, passed the committee on a unanimous voice vote, and is now in the House Rules Committee awaiting scheduling. Upon enactment of the bill, banks would be allowed to hold customers' checks for a maximum of one business day after date of deposit in some cases, but never longer than six business days for any deposit. Three years after enactment, banks would be required to reduce clearing time of out-of-state checks to three business days.

At the subcommittee hearing, the U.S. Public Interest Research Group testified that according to a survey of 669 banks and thrifts, 70% of banks hold checks drawn on local banks for three or more business days, and 75% hold out-of-state checks for more than one week.

## CHILTON CORP. ACQUIRED BY BORG-WARNER CORP.

In late November, Chicago-based Borg-Warner Corporation agreed to acquire Chilton Corporation, Dallas, for \$224 million or \$33 a share. James F. Bere, Borg-Warner Chairman, said the acquisition would bring the company's business mix closer to its goal of 50% service and 50% manufacturing. Moreover, Bere said that his company hopes to use Chilton Corporation, a consumer credit ratings service, as a base to expand into the information-service industry.

## FCC TO REVIEW AT&T'S COST-SUPPORT DATA OF 60¢ IDA CHARGE

The Federal Communications Commission (FCC) has asked American Telephone & Telegraph Co. (AT&T) to provide additional cost-support data concerning AT&T's 60¢ charge for interstate directory assistance (IDA), which became effective October 1.

The FCC has requested information relating to the method AT&T used to develop IDA costs and projected revenues. The information will be reviewed by the FCC to determine whether further investigation is required. The American Collectors Association had petitioned the FCC in September to suspend and investigate AT&T's IDA tariff filing.

## INCREASING NUMBER OF STATES PASSING BAD CHECK LAWS

Americans are bouncing nearly 1 million checks a day, accounting for about 1% of all checks written, according to the American Bankers Association. To discourage bad check writing and to facilitate collection, an increasing number of state legislatures are passing bad check laws.

In 1985, a number of states enacted either new bad check laws or amended existing statutes, among them Missouri, Indiana, Ohio, Wyoming, New Hampshire, and Nevada. As of last year, 28 states provided civil remedies for holders of bad checks, with some states allowing holders to sue for the amount of the check plus a penalty of three times that sum (treble damages) up to a maximum amount.

Bad check laws are having mixed results, however. For example, an informal survey of retailers conducted by the Colorado Retail Council showed that the number of bad checks processed by respondents dropped by 20% after Colorado passed a treble damages law in July 1984. Although California also has a tough, treble damages law, grocery stores there lose an estimated \$100 million from bad checks every year, and companies that guarantee checks for retailers for a fee say they haven't noticed any drop in the number of bad checks since the California law was enacted in 1983.

While the number of bad checks written may not decrease as a result of these laws, losses could drop substantially. In Montana, one merchant notes that although the volume of bad checks hasn't declined since Montana passed a treble damage law in 1983, losses due to such checks have been reduced. A retailer in Illinois notes that often people are so shaken by a notice threatening triple damages that they settle before court papers are filed.

As the problem of bad checks continues to grow, there will clearly be more pressure on state legislatures to pass bad check legislation.





**NFIB**® National Federation  
of Independent Business

The Guardian of Small Business.

TESTIMONY BEFORE THE HOUSE COMMITTEE ON AGRICULTURE  
AND SMALL BUSINESS  
FEBRUARY 20, 1986

Mr. Chairman, and members of the committee, my name is Jim Yonally and I am Director of Governmental Relations for the Kansas Chapter of the National Federation of Independent Business. I am pleased to speak on behalf of the nearly 8,000 small businesses in Kansas who are members of our association. Our legislative program is determined by a vote of our membership, and on our 1986 ballot, 76% of those voting supported the provisions of HB 2849, which you have before you today.

First of all, I would like to thank Rep. Chronister for introducing this bill at our request, and express our appreciation to the other 35 co-sponsors for their support.

We would like to remind the committee that giving a worthless check after receiving a product or service from a merchant is a form of stealing that product or service. We believe that people who engage in that kind of theft should be dealt with harshly, not so much because we are interested in collecting big fines or penalties, but because it becomes a deterrent to the person who might knowingly committ that kind of theft. In other states where legislation similar to HB 2849 has been passed, the number of bad checks has dropped from 20 to 30%. We believe that could happen in Kansas.

Our members tell me that some people write checks in small amounts knowing that there is little chance they will ever be prosecuted since it isn't worthwhile for the merchant to obtain a lawyer and the amount is below the level where most county attorneys will prosecute. With the penalties in this bill, it would now make collection a feasible option and, because of that, discourage people from writing worthless checks in the first place.

I would point out that worthless checks not only create a cash flow problem for most businesses, but they become a cost of doing business which must, eventually, be passed on to the honest customers.

I will keep my testimony brief, because I have asked some others to testify with some additional information on this matter. However, in closing, I would like to mention two other bills that have been introduced on this topic. HB 2903, by Rep. Cribbs, is similar to HB 2849, but does not amend the small claims court statutes making the penalties outside the current \$500 limit and for that reason, we would prefer the provisions of HB 2849. Another bill, HB 2965, by Rep. Peterson and others, increases the statutory service charge from \$3 to \$10 for a returned check. Our bill speakes to penalties that would occur after 21 days. If the committee wants to amend the provision of HB 2965, into our bill we would have no objection to that. On the other hand, if 2965 is approved by committee, they could always be merged at some point further down the line.

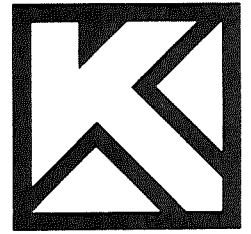
Mr. Chairman, I want to thank you and the committee for the opportunity to appear in support of HB 2849, and would urge you to recommend the bill favorable for passage. I would be happy to answer any questions.

NFIB/KANSAS  
Legislative Office  
10039 Mastin Dr.  
Shawnee Mission, KS 66212  
913/888-2235

2-20-86 Hs. ASB  
Attachment III

# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry



500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

HB 2849

February 20, 1986

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Agriculture and Small Business

by

Bud Grant  
Executive Director  
Kansas Retail Council

Mr. Chairman, members of the committee. My name is Bud Grant and I am very pleased today to have the opportunity to appear before you on behalf of the Kansas Retail Council in support of HB 2849.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Several years ago the Kansas Retail Council sponsored a seminar for retailers around the state on the subject of how to deal with worthless and bogus checks.

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Attachment IV

The gentleman who put on the seminar was Mr. Frank Abagnale who was known at the worlds greatest con artist. He recently appeared at a National Association of Chain Drug Store Small Chain Conference, again speaking and teaching in the area of worthless checks. Mr. Abagnale stated, "the cost of white color crime is staggering, over \$40 billion annually, yet the conviction rate in these types of crimes is almost nonexistent. In 1983, 1/3rd of all small businesses that filed for bankruptcy cited inability to collect on worthless checks or checks drawn on insufficient funds as the main reason for their business failure."

As stated in a recent article in the Wall Street Journal, customers who write bad checks are thieves with paper guns. But to police and prosecutors, chasing check bouncers is rarely a high priority.

As a result more than a dozen states have enacted legislation which allows the merchant to sue bad check writers in small claims court for the amount of the original check plus a penalty of three times that sum. These laws, as is the case with HB 2849, in most cases have set a minimum penalty of \$100 and a maximum penalty of \$500. In the midwest the states of Illinois, Indiana, Iowa, Michigan, Missouri, North Dakota, Ohio, and Wisconsin have enacted such legislation.

In spite of the new laws in the states mentioned, Americans are still bouncing more than one million checks a day or about one percent of all checks written according to the American Bankers Association. But there are indications that the laws are having an effect in some places. The Colorado Retail Council says that an informal survey of retailers in that state found that the number of bad checks dropped by 20 percent after Colorado passed its triple-damage law. The secretary-treasurer of Super Save Markets of Missoula and Helena, Montana has stated that the number of bad checks in Montana hasn't dropped since its passed its triple-damage law in 1983 but

bad check losses have diminished. Check bouncers are more likely to make good their checks now and he attributes at least part of that to this new law.

The Kansas Retail Council was very pleased Mr. Chairman and members of the Committee that HB 2849 has so many sponsors and so many have expressed an interest in addressing this very serious problem. I urge the committee to recommend HB 2849 favorable for passage and to help by taking this first step toward reducing the very serious and expensive problem.



# Kansas Food Dealers' Association, Inc.

2809 WEST 47th STREET SHAWNEE MISSION, KANSAS 66205

PHONE: (913) 384-3838

February 20, 1986

## HOUSE AGRICULTURE & SMALL BUSINESS COMM.

### OFFICERS

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### DIRECTOR OF GOVERNMENTAL AFFAIRS

FRANCES KASTNER

Re: HB 2849

EXECUTIVE DIRECTOR  
JIM SHEEHAN  
Shawnee Mission

I am Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Association. Our membership consists of retailers, wholesalers and distributors of food products throughout Kansas.

We are grateful to the sponsors and this committee for recognizing the tremendous EXPENSE that bad checks ADD to the COST OF DOING BUSINESS. Some of the losses have to be absorbed by the businesses, but in reality, every time you purchase something from ANY RETAILER you, as a customer, are paying for his COST OF DOING BUSINESS. Which means the HONEST consumer is paying for the writers of bad checks being able to avoid their debts and responsibilities.

We have had to use firms to collect checks in the larger cities because of the numbers that are received daily -- which you will hear about today. And, the courts have always been a last resort because of the expense of hiring an attorney and in most instances feeling like by the time your case gets on the docket, you have spent more time and money in trying to collect a bad check than you end up getting -- especially if it is a true deadbeat.

Perhaps the damages of triple the amount of the check up to \$500 WILL DETER some writers of bad checks, and as the word gets out that attorneys' fees WILL BE PAID in addition to the face of the check etc the NUMBER of bad checks will decline. WE HOPE SO.

We are in total agreement with giving 21 days after notification to rectify AN HONEST MISTAKE -- which some bad checks are. However, those are NOT the ones that go uncollected by either the retailer or those who run down bad checks.

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Attachment V

We appreciate the fact that passage of this bill will permit the Small Claims Courts to ADD the amount up to \$500 onto the COSTS plus the face of the bad check. This is an amount exceeding the awards in most cases before Small Claims Courts.

The PROBLEM is that currently only FIVE CASES PER YEAR can be filed in a small claims court system. There is no way that this limited number will be of any benefit to the retailer who wants to avoid the long delay and expense of going through the regular court system already available.

The BENEFIT of using the Small Claims Court is that the cases come up quickly, the person acts as his own counsel, and the amount of time the retailer is away from his place of business is minimum in comparison to a court where an attorney is involved.

We request that YOU AMEND HB 2849 so that the claims filed for the collection of bad checks NOT be included in the limitation of FIVE FILINGS IN ONE YEAR.

This amendment would no doubt brings cries of over-work from Small Claims Courts-- we have all heard those complaints before as the Legislature considered bills to just increase the number of small claims from 5 to 10 in one year.

There is a solution to this problem also. By Amending the \$10 filing fee to an INCREASED AMOUNT for filing a claims on a BAD CHECK you will provide the personnel in the Small Claims with funds to take care of their "extra work". In effect, the WRITER of the BAD CHECK will be paying for that extra charge, so our retailer would NOT object to paying a filing fee that exceeds the usual amount.

Surely they could have no objection to doing their job and getting the fees to cover their expense.

We have heard a lot of discussion about the depressed economic condition of the state and communities as a whole. I am just as concerned about HELPING THOSE WHO ARE ALREADY IN BUSINESS IN KANSAS STAY IN BUSINESS as I am about attracting new business and industry.

By Amending HB 2849 to permit your hometown retailers to use the Small Claims Courts to their fullest advantage (instead of giving them a limit of five bad checks in ONE YEAR) you will be sending a strong message to ALL your constituents that you are concerned ABOUT THEM as well as the strangers we are trying to entice into our State. AND, whatever you DO NOW for business will ALSO have a direct beneficial impact on those who locate in Kansas in the future.

I appreciated the opportunity of presenting our views to you today, and will be happy to answer any questions you may have.

# Kansas Food Dealers' Association, Inc.

JAMES G. SHEEHAN, EXECUTIVE DIRECTOR  
2809 WEST 47th STREET • SHAWNEE MISSION, KANSAS 66205  
PHONE (913) 384-3838

INFORMATION PRESENTED AT VARIOUS HEARINGS IN 1985 RE: BAD CHECKS

Research and Data, a company used by many Topeka retailers to collect bad checks for them that are NOT collected with a mere phone call to the honest person who inadvertently gives a bad check, provided these facts at a hearing before the Kansas Legislature February 25, 1985:

Some businesses in Topeka get over \$4,000 a MONTH back in bad checks. Of that amount, about 75% is eventually recovered.

Add to the fact that the retailer has already taken the bad check and must wait for his money (if EVER COLLECTED) the retailer's BANKER in one instance last year charged THE RETAILER'S account A SERVICE CHARGE OF \$700 IN ONE MONTH!

MOST Topeka banks currently charge between 50 cents and \$3.00 for EACH CHECK RETURNED TO THE RETAILER.

It is estimated that ONE MILLION DOLLARS IN BAD CHECKS ARE GIVEN IN TOPEKA EACH YEAR.

Using the 75% collectable average in the first paragraph, the retailers in Topeka are STILL LOSING about \$250,000 a year.

One of our KFDA members that has a chain of stores in Kansas said:

In 1984 they had a TOTAL of \$2,188,540 worth of BAD CHECKS given in all their stores. They DO have a collection process in place and recover about 79% of that. STILL that left them with a TOTAL in 1984 of UNCOLLECTED amount of \$460,000 in bad checks.

Another KFDA member in a metropolitan area with only 3 stores reported that in 1985 he had over \$450,000 in bad checks. They do use one of the agencies like Research and Data, or Check Rite Ltd, and report that same experience of 25% NEVER COLLECTED.

In that particular instance, the grocer keeps an EXTRA \$40,000 in his bank account AT ALL TIMES to cover the "float" for the bad checks given to him so he himself will not be in a position of having given a bad check!!!!

He figured that \$40,000 COULD have been better spent on capital investment or even just eliminated having to BORROW an EXTRA \$40,000 to keep in his account and save the interest he pays on it.

The May 15, 1983 issue of GROCER'S SPOTLIGHT did a special section on bad check losses. Their research indicated that in 1982 GROCERS lost \$4.4 BILLION through bad checks and indicated that was responsible for a full ONE-THIRD of the business closings in 1982.

"The problem of bad checks in grocery stores is TEN TIMES worse than at other retail stores" they quoted. Nationwide statistics indicate that in grocery stores 67% of all checks are converted into cash, and because of the low margins grocery stores operate on, a grocer would have to sell \$1,500 worth of groceries to recover the loss on a \$50 bad check.



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

February 20, 1986


TO: House Committee on Agriculture and Small Business

RE: HB 2849 - An act concerning worthless checks

Mr. Chairman and members of the Committee:

Thank you for the opportunity to submit written testimony in favor of HB 2849. We believe this bill addresses a serious problem confronting businessmen in communities throughout Kansas. Present law is simply inadequate when an individual or businessman is faced with the problem of collecting on a worthless check. This bill would impose a more reasonable penalty for this crime, but it also has adequate safeguards for those circumstances when the maker or drawer inadvertently gave a worthless check.

It is well documented that losses to businessmen in Kansas and throughout the nation from the giving of worthless checks has increased dramatically in recent years and it has become a problem which requires revision of our current Kansas laws. The provisions of HB 2849 are consistent with changes which other states have made in their worthless check statutes and which have resulted in a meaningful decrease in the issuance of worthless checks. Therefore, Mr. Chairman and members of the Committee, the Kansas Bankers Association strongly urges you to give favorable consideration to HB 2849.

  
James S. Maag  
Director of Research  
Kansas Bankers Association

2-20-86 Ms. ASB  
Office of Executive Vice President • 707 Merchants National Building  
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

Attachment VI