

Approved March 24, 1986
Date

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY AND SMALL BUSINESS

The meeting was called to order by Senator Dan Thiessen at
Chairperson

1:38 ~~xxx~~/p.m. on Tuesday, March 18, 1986 in room 527S of the Capitol.

All members were present except:

Senator Feleciano (excused)

Committee staff present:

Jerry Ann Donaldson, Research Department
Gordon Self, Revisor
Ruth Kennedy, Substitute Secretary

Conferees appearing before the committee:

Representative Rochelle Chronister
Frances Kastner, Director of Governmental Affairs, Kansas Food Dealers'
Association
Bud Grant, Executive Director, Kansas Retail Council, KCCI
Jim Yonally, Director of Governmental Relations, Kansas Chapter,
National Federation of Independent Business

A hearing was held on HB 2849, a bill to increase the penalty assessed against a person who gives a worthless check.

Chairman Thiessen asked the chief sponsor of HB 2849, Representative Rochelle Chronister, to explain the proposed legislation. She told the committee this bill is an attempt to reduce the number of worthless checks which are given to merchants. The legislation prescribes civil penalties 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. She believes very few of these cases will go to court because of the cost. (See Attachment #1)

The following appeared in support of HB 2849:

Frances Kastner, Kansas Food Dealers' Association, told the committee they were concerned about keeping companies already in business as well as attracting new businesses to the state and this bill will benefit everyone. (Attachment #2)

Mrs. Kastner presented written testimony prepared by Robert Perrine, owner of Checkrite, a check recovery service for retail merchants, in which he urged stronger laws to deter the "bad check writer". He believes that many claims would not be filed if the possibility of trebel damages plus costs was charged to the checkwriter. (Attachment #3)

Bud Grant, KCCI, said that customers who write bad checks are thieves with paper guns, but to police and prosecutors, chasing check bouncers is not a high priority. He said Americans are bouncing more than one million checks a day and that after Colorado passed its triple-damage law, the number dropped by 20%. (Attachment #4)

Jim Yonally, NFIB, on behalf of the nearly 8,000 small businesses in Kansas, urged passage of this bill which was introduced at their request. (Attachment #5) He suggested the committee consider amending the provisions of SB 228, a bill sponsored by Senator Roy Ehrlich, into HB 2849.

Senator Morris moved and Senator Werts seconded a motion that the provisions of SB 228 be amended into HB 2849. The motion passed.

The chairman stated the bill will be considered after the amendments are in place.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY AND SMALL BUSINESS,
room 527S, Statehouse, at 1:38 ~~xxx~~ p.m. on Tuesday, March 18, 1986

The committee considered HB 2693 which provides that an invention produced by an employee on his/her own time belongs to the employee.

There had been a suggestion to refer this bill to the Judiciary Committee because of the difficulty in distinguishing whether research was done at home or on the job and this possibly should be decided by the court. It was thought that this law would interfere with the contractual rights of two parties and that current law allows the "right of contract" to work in an orderly fashion.

A motion was made by Senator Morris and seconded by Senator Ehrlich to amend HB 2693 on line 33 by deleting the word "directly". The motion carried.

Senator Morris moved and Senator Yost seconded a motion to report HB 2693 as amended favorable for passage. The motion passed.

Chairman Thiessen adjourned the meeting at 2:25 p.m.

The next meeting of the committee will be held at 1:30 p.m. on March 24, 1986.

LABOR AND INDUSTRY

Date

3-18

Name (Please print)

BOB GERANT

Frances Kastner

Abbe Jones

Victor Finkelstein

Jim Yanally

Organization

KCC

Ks food Dealers

KANSAN

Legis Intern for Sen. Daniels

NFIB/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
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COMMUNICATIONS, COMPUTERS AND
TECHNOLOGY

TESTIMONY BEFORE THE SENATE LABOR, INDUSTRY AND SMALL BUSINESS COMMITTEE

Tuesday, March 18, 1986, 1:30 p.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 be incurred. After commencing the action the defendant may pay the check and incurred

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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.

The House committee also saw fit to amend HB 2965 into this bill in Section 5 which would increase the service charge on a bad check from \$3 to \$10.

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 (1984), Oregon (1981), Iowa (1985), North Carolina (1985), Delaware, Montana and California (1983).



Kansas Food Dealers' Association, Inc.

2809 WEST 47th STREET SHAWNEE MISSION, KANSAS 66205

PHONE: (913) 384-3838

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DIRECTOR OF
GOVERNMENTAL AFFAIRS

FRANCES KASTNER

March 18, 1986

SENATE LABOR, INDUSTRY & SMALL BUSINESS

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 that so many legislators recognize 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.

Atch. 2
S. Labor, Industry, +
SB 3/18/86

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. We are also encouraged that HB 2678 passed the House and will be heard by the Senate Judiciary Committee Thursday. This bill permits up to ten Small Claims to be filed in a year and raises the limits from \$500 to \$1000 for the amount you can recover. It also raises the filing fee for claims filed over \$500 to \$35, and leaves the \$10 fee for a claim up to \$500 in the Small Claims Court systems. We totally support that bill and hope you all encourage your support of it.

A number of legislators have asked me why amount of bad checks our grocers actually lose, and never recover in a year's time. I have attached hereto a fact sheet that was presented at various legislative hearings in 1985, and hope you will find that data helpful.

One item I might call to your attention is that the national percentage of profit is listed for 1983 at about 3 %, while many of the small town grocers in Kansas are operating at a 1 % to 1 1/2 % margin at this time. With that in mind in order for a KANSAS grocer to recover the amount of money LOST on a \$50 BAD CHECK, he would have to sell over \$3,000 worth of groceries to just recover that \$50 -- and that would also be HIS PROFIT on that \$3,000 worth of groceries!

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.

Certainly passing a bill such as HB 2849 will be of benefit to everyone who takes checks in the normal course of doing business. We encourage your SUPPORT of HB 2849.

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

Frances Kastner, Dir.
Gov't. Affairs, KFPA

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.

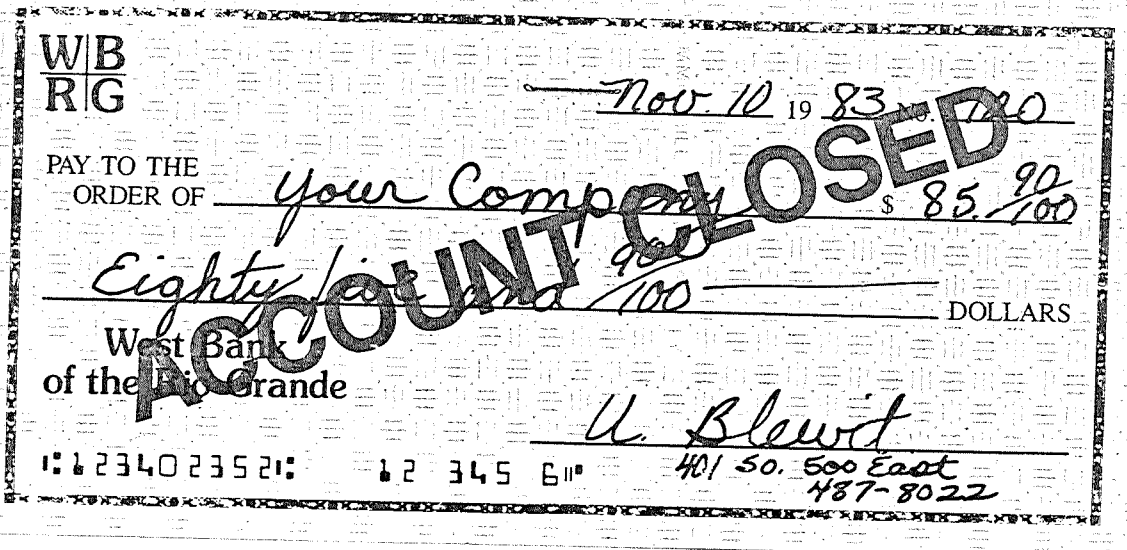
The May 15, 1983 issue of GROCER'S SPOTLIGHT did a special section on bad check losses. Their research indicated that in 1982 GROCERS lost \$4.4 BILLION through bad checks and indicated that was responsible for a full ONE-THIRD of the business closings in 1982.

"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.

Senate Labor, Industry and Small
Business Attachment 2 3-18-86

Frances Kastner, Director of Governmental Affairs

2/20/86



Gotcha!

UPSETTING, ISN'T IT? THIS "RETURNED" CHECK IS, OF COURSE, A FAKE. THE NEXT ENVELOPE YOU OPEN, HOWEVER, MAY CONTAIN A REAL RETURNED CHECK. THAT ISN'T FUNNY!

WOULDN'T YOU LIKE TO HAVE THOSE **NO ACCOUNT, ACCOUNT CLOSED AND INSUFFICIENT FUNDS** CHECKS COLLECTED AT NO EXPENSE TO YOU.

CHECK RITE PROVIDES THAT SERVICE. THE WRITER OF BAD CHECKS PAYS THE BILL AND YOU RECEIVE EVERY CENT COLLECTED.

CHECK RITE SAVES YOUR TIME FROM DOING A DISAGREEABLE TASK AND LETS YOU PUT YOUR ENERGIES WHERE THEY BELONG . . . RUNNING YOUR BUSINESS.

CHECK RITE PROVIDES OTHER SERVICES, TOO. WHY DON'T YOU GIVE US A CALL AND LET US TELL YOU WHY SO MANY BUSINESSES HAVE TURNED TO US WITH THEIR CHECK PROBLEMS. NO OBLIGATION, OF COURSE.

OR, IF YOU PREFER, JUST COMPLETE THE ATTACHED POSTAGE-PAID CARD AND DROP IT IN THE MAIL.

CheckRite

Suite 202
220 S.W. 33rd Street Senate Labor, Industry and Small
P.O. Box 5632 Business Attachment 3 3-18-86
Topeka, Kansas
66611
(913) 267-3030

CheckRite®

SENATE LABOR, INDUSTRY & 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".

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
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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.

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.

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

March 18, 1986

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Labor, Industry, 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.

The gentleman who put on the seminar was Mr. Frank Abagnale who was known as 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.



NFIB® National Federation
of Independent Business

The Guardian of Small Business.

TESTIMONY BEFORE THE SENATE COMMITTEE ON LABOR,
INDUSTRY AND SMALL BUSINESS
MARCH 18, 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 think there are some others who want to testify with some additional information on this matter. In closing, I would like to mention that Sen. Ehrlich introduced a bill during the last session which relates to bad checks. His bill speaks to the problem of giving a bad check to pay off an existing debt. We would urge the committee to consider amending the provisions of Sen. Ehrlich's bill into HB 2849, with the assurance that this amendment would be acceptable to the house sponsors.

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.

Senate Labor, Industry & Small
Business Attachment 5 3-18-86

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