

Kansas House of Representatives

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Testimony for HB2206
Alcoholic beverages; expanding the privileges of retailer's licensees.
March 7th, 2013

Chairman Kleeb, Vice Chairman Suellentrop, Ranking Minority Member Frownfelter and members of the Commerce, Labor and Economic Development,

Your committee focuses on Economic Development and considers legislation to stimulate commerce. I understand the reasons that this legislation is before you today but I believe this topic is more complex than just how alcohol sales invigorate the economy.

The challenge for the committee is how to balance the ideology of the **Free Market** with **Traditional Family Values**. First let me remind the committee that the legislature does have a compelling government interest in regulating and controlling the marketing and sales of alcohol. Although alcohol is legal, it is not an ordinary product but an extraordinary one. It has elements of danger, which if unregulated will detrimentally impact our communities. For that reason, the Kansas Constitution states, "The legislature may regulate, license and tax the manufacture and sale of intoxicating liquors, and may regulate the possession and transportation of intoxicating liquors." (Article 15.10.b).

Every state in the country regulates the marketing and sales of alcohol. The idea of free market without government oversight does not apply here. Every state draws the line differently. Further, Kansas's current rules do not currently support any particular business or monopoly in regards to the sales and marketing of alcohol because anyone that wants to open a store to sell alcohol may do so. There are a number of laws that restrict certain aspects of those businesses but this is well within the state's authority.

Proponents of HB2206 claim Kansas liquor laws are antiquated and that we are living just this side of prohibition. We are far from that. Last year alone, the Kansas legislature passed the MEGA alcohol bill that modernized access to alcohol and lifted regulations on business in about 12 different ways.

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But today, this argument pits one business against another business. Should government pick big box stores over mom and pop stores, or, as opponents of this bill are often cast, protect liquor stores unfairly? No, we should not be in the business of picking winners and losers. And while I agree that we should promote free enterprise by limiting the government to the fullest extent, we should also be careful to promote values that keep the communities thriving. This bill on its surface seems to do all those things. But dig a little deeper and you will find a lot of negative aspects.

The burden of proof is on those pushing for change. Is this a problem that needs to be solved? I don't think so. Under current law, anyone over the age of 21 who wants to buy alcohol can do so. Furthermore, most Kansans don't want to change the current liquor laws. I asked constituents in my district last year and of those that responded to this survey, I found the strong majority of my constituents do not want this change. My constituents were more in favor of the status quo and did not support the idea that this was something they wanted. I asked for the opponents of this bill to conduct an independent survey to determine the will of the people. They did so, and the results agree with my findings. I am sure that the data from that study will be shown to you today. I also asked the proponents of this bill to provide me with data that compares things like alcohol related incidents before and after similar changes were implemented in other states to support their claims that there wouldn't be any harmful side effects. So far, they have not shown me any evidence on that point. I have to presume then that any social data that exists shows that there were negative consequences, or else the proponents would have shown evidence of neutrality.

The proponents talk about convenience. They say they would rather drive further, presumably across state lines, so as to not make a second stop. This is a weak reason to support the bill. Unless the purchaser lives on the state border, this is a straw man argument. And for those living near our border, other factors such as taxes are present as well.

The biggest concern though is about how this will affect people like me. Let me explain. My father is an alcoholic and I grew up seeing abuse. My parents divorced when I was twelve. The alcohol was the catalyst. I know several good people in my community that strongly suffer from this temptation and addiction. They will not go to a liquor store and they will not go to a bar. But they will go to a convenience store to buy their gas and they will go to the grocery store to get food. This is a huge temptation. It just takes one bad day to set them back. Kids will grow desensitized to seeing it and may even desire it because they see those they respect partaking. Parents that wouldn't take their kids to a liquor store will take them to the grocery store which now would be a liquor store under this bill. Derby has 5 liquor stores. Under this bill, we could easily have 16. Additionally, many grocery stores have employees under the age of 21, who could end up handling the alcohol.

Proponents of this bill have claimed that consumption rates will not be affected by this legislation. At the same time, they argue that the bill would make it more convenient to get alcohol, while increasing competition and reducing prices. From an economic stand

point, I find it incredibly difficult to believe that increased availability and decreased prices can have a consumption neutral effect. These factors typically increase demand for a product, so we should expect an increase in alcohol consumption. Consequently, we should expect an increase in the effects of alcohol consumption, namely drunk driving, divorce, child abuse, unemployment, etc.

In addition to the societal costs of increased alcohol consumption, the state government's budget will be adversely affected in at least three ways. Firstly, as the Revenue Department testified to my General Government Budget committee, we would have to spend \$1.8 million to hire 21 new inspectors to ensure compliance of this bill in the new stores. Secondly, with an estimated 300+ liquor stores going out of business because of this bill, each employing 3-28 people, we could end up with a few thousand people losing their jobs. This will result in less revenue to the state from their employment taxes, while requiring more spending for unemployment benefits. Thirdly, with all these stores going out of business, we will see a decrease in property tax revenue. Now, it is important to note that the other retail stores will not have to expand the square-footage of their properties or hire more employees in order to sell alcohol. It will be easy for them to do minimal rearranging in their stores to free up a couple shelves for alcoholic beverages. So, allowing these stores to sell liquor will be unlikely to offset the costs in unemployment and reduced property tax revenue.

One final objection that I have to this bill is that it creates an uneven playing field for enforcement and penalties. For instance, liquor stores may only hire individuals that are at least 21 years of age. However, a grocery store can hire teenagers that are several years younger than that. Also, as a penalty for stores violating our liquor laws, they are not allowed to sell alcohol for a certain number of days. For a liquor store, this punishment means shutting down the whole store for that period of time. But a grocery store can just put red tape on the liquor aisle and continue earning money from selling all other items as usual. The result is an unequal punishment that favors the larger retailers.

The arguments that we have heard in support of this bill are like a used car sales pitch where the salesman highlights all the great things about the car and refuses to acknowledge the defects. The proponents talk about the positives and do not acknowledge the negatives. Please understand the big picture and realize this decision is UNREVERSABLE. I encourage you to oppose HB2206.

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