

TO: House Commerce, Labor, and Economic Development Committee
FROM: Jeff Grantham, Central Wine and Spirits, Wichita, KS
DATE: March 7, 2013
RE: House Bill 2206

Chairman Kleeb and Committee members,

Since college it was a personal goal to own my own business. I've worked my entire adult years working to gain the knowledge, experience and capital resources to accomplish this goal. I have invested a majority of my retirement savings as well as \$20,000 of my wife's retirement. I secured approximately \$150,000 in loans to purchase and operate my business. My house is attached to my loans. I made this investment based on the laws of Kansas. In Feb 2011, I took ownership of the store. Two days later I had a news crew in my store wanting to interview me about this big box liquor bill.

In 2011, the store was already losing money. The store employed only 5 people. In 2 years I have increased sales 80.4%, the store now employs 10 people. In October, November, and December, the store employs 12 people. That did not happen because the State "protects" liquor stores – as you have been told. I have worked as many as 90 hours a week and sacrificed time with my family to achieve a successful business. My family and I understood the sacrifice that would go with owning our own business. We did not anticipate that the State might step in and change the rules.

There is merit in a system which holds an individual accountable for the sale of alcoholic liquor. It is more effective and less expensive to regulate retail liquor when there is an actual person who will be called to Topeka to answer for any violations that might occur. As a licensee, I am highly motivated to prevent underage sales. It is also relatively simple under this system for ABC to investigate potential violations ranging from selling under cost to underreporting sales to avoid tax obligations. It is according to this agreement – this contract with the State of Kansas that I have invested in the liquor store business and maintained those obligations in good faith.

It is a privilege, not a right, to be given a Liquor License. Possessing a liquor license is a privilege and I take it very seriously.

- My store has one entrance in order to monitor who enters my store.
- My staff is trained to make sure the customers are 21 years of age.
- My staff is trained to handle individuals that are impaired.
- My staff is trained to avoid second party sales, where adults buy alcohol for minors.
- My staff takes pride in maintaining a good compliance record.
- My staff is trained in customer service and has knowledge to help the customer with their purchases.

Now, it seems that Kansas is reconsidering its agreement with me and would like to grant this privilege to non-Kansas corporations with LESSER QUALIFICATIONS to sell alcoholic liquor to the public. They would not have to meet the same rules as an individual – and could even include business owners with criminal records (as long as they owned less than 25%). Meanwhile, to keep my own liquor license, I would still have to keep a clean criminal record and be a U.S. citizen and stay out of the prostitution or illegal gambling business and so on.

The corporations' proposal seems to put a value to the investment I have made by allowing me to sell my liquor license for 18 months, but then takes the value out of it by allowing anyone to get a license as of January 1, 2015. Let's pretend that some companies might actually buy licenses before 2015. And let's pretend I can find a bank to finance my business to relocate into a bigger space and a different location. Hy-Vee, Kroger/Dillons, or Wal-Mart can become a full-fledged liquor retailer PLUS grocery, pharmacy, and hardware store immediately, before 2015. Can I become a grocery store / liquor store / hardware store before 2015? No – the bill doesn't allow it. **This bill has no real license cap and no real transition period.**

And now I hear that the bill might be changed for just beer and wine. Even if I wanted to sell the business that I have put so much of my life into – what value is it supposed to have at that point? Hard liquor is the slowest moving product on my shelves.

So, my business will be at risk – but not one of those other businesses is in jeopardy of failing because they don't sell strong beer and wine right now. It wasn't part of their business model when they came to town.

Even though I am willing to expand, there are many problems that make it difficult. There are zoning and space issues in my current location and banks are not jumping through hoops to offer small businesses loans for expansion. And what bank is going to finance liquor store expansion when the new market is expected to close half of the existing liquor stores? Basically, it is unfair to ask me to spend thousands of dollars just to continue to compete in the market where I have already invested under the expectation of a stable regulatory environment. This bill says that I should change to survive – but Kansas would change to fit the plans of the big corporations who are asking for this bill.

Within a 2 mile radius of my store there are currently 14 liquor stores = .88 per square mile. In that same 2 mile radius there are 21 grocery/convenience stores = 1.31 per square mile. If this bill were to pass there would be 35 liquor stores in a 2 mile radius = 2.19 liquor stores per square mile. Just on my corner there would be 5 liquor stores.

1. Central Wine & Spirits
2. Wal-mart neighborhood market
3. Dillon's
4. Aldi's
5. Walgreens

I have more than 13 years in the retail liquor industry. While working for the distributor, there were new stores that opened in my territory surrounded by other stores. Sale of wine, beer and spirits for that area never increased; instead it was just split between more stores. The pie is only so big. Consumers are not going to buy extra product just because the big box stores carry it. So, then it comes down to traffic – the numbers of customers that come through the store.

Do NOT create this special privilege for out of state corporations that will take the profits out of our communities and quickly wipe out the small businesses that are already paying taxes and employing

people – the small businesses that have made the commitment to operate within Kansas restrictive rules and do it well.

Finally, if this Committee is interested in moving the bill forward – please pay close attention to the enforcement and penalties that would be applied. Right now, the stores that sell cereal malt beverage are not subjected to the same penalty structure that my store is. If a liquor store has multiple citations – it will be closed for one, two, or more days. That is the whole store closed with no income coming in. That does not happen to the grocery or convenience stores – they should have to close their doors, as well.

Please respect our agreement and help my Kansas business to succeed. It is better for my family and better for Kansas.

Sincerely,

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