



March 31, 2015

Memorandum:

To: Senate Federal and State Affairs Committee
From: Thomas M. Palace Executive Director PMCA of Kansas
Re: Testimony Supporting SB 298

Mr. Chairman and Members of the Senate Federal and State Affairs Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store owners throughout Kansas.

We stand before you as a proponent of SB 298.

Changing liquor laws in Kansas is nothing new. This committee reviews many proposals to amend liquor statutes every session. The proposal before you today may look a little different than what you have seen in the past...but in reality it is the same issue. This bill will allow consumers to make the choice where they buy their adult beverages.

We made changes to the bill based on comments from legislators and our opposition. In fact after meeting with the opposition earlier this year we made every attempt to incorporate their recommendations into this bill. And we did.

I must also add, that even though we did make changes to the legislation based on comments made by the opponents they were clear in their comments that even with changes to the bill they could not support this legislation.

To quickly recap what you learned about our bill at the beginning of today's hearing.

After a three year waiting period:

- Allows grocery stores and convenience stores to sell non-3.2 beer.
- Permanently freezes retail liquor licenses. An individual that wants to own and operate a liquor store may do so but would be required to purchase a license from an existing license holder. Only individuals who meet ABC requirements, liquor store owners or grocery store owners are eligible to purchase licenses. C-stores cannot sell wine and spirits.
- The transfer of a liquor license shall be located in the same county as the licensed premises. Grocery stores must purchase one of three closest liquor stores in proximity to the grocery store. If no one wants to sell the grocery store must wait 3 years and then could buy a license from another store in the same county.

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- Allows corporations to own a liquor license. Each store must have a liquor license to sell adult beverages.
- Class A licenses available three years from the date when county approves proposition.
- Permits liquor stores to sell non-alcoholic products.
- Liquor store owners can own multiple liquor stores.
- 3% of the liquor enforcement excise tax is remitted to cities and counties. We are attempting to make up lost revenue from sale of CMB.
- *Does not* allow for volume discounts and liquor cannot be sold under cost.
- Sets the guidelines for a County Option vote.

Changing the liquor laws to allow convenience and grocery stores to sell adult beverages has created a lot of discussion around the statehouse. Legislators told us that they want a transition period for liquor store owners to adjust to the changes in the law. SB 298 establishes a transition period with a permanent freeze on new liquor licenses.

SB 298 allows for individuals under the age of 21 to work in businesses that sell beer as long as they are being supervised by someone that is 21 or older. Currently, anyone that purchases CMB must be 21 and the process is working now in convenience and grocery stores. If grocery stores are permitted to purchase liquor licenses anyone that comes in contact with liquor would need to be 21 years of age.

This bill allows corporations to have liquor licenses. PMCA represents both the “mom and pop” and corporate convenience stores. Using the same example above, Kansas allows corporations to have multiple “on premise” licenses but corporate convenience stores are prohibited from having an “off premise” license. We fail to see why one type of corporation can own a liquor license and another corporation cannot.

Changes to laws and regulations occur every day. You will hear that a liquor store was started by “playing by the rules.” Convenience stores also were established playing by the rules and we have also had to modify our business model because the rules changed. For example:

- The Federal Government changed the drinking age from 18-21 in the 1980’s. Because of this action by the government Cereal Malt Beverage (CMB) market share went from 45% to less than 20%. CMB was then and is now viewed as an inferior beer.
- In 2000 big box retailers got into the petroleum business selling gasoline, the No. 1 product that equal 60-65% of gross sales. Fuel retailers that have millions of dollars in brick and mortar have had to find ways to continue to compete with big box retailers that offer huge discounts for their gas.
- Tobacco products are the No.1 in-store selling product for C-Stores and today we compete with many retail outlets including smoke shops for customers and the field continues to grow.

Compliance

Regulatory compliance and proper sales techniques are very important to convenience and grocery stores. To help offset the mistakes that can be made by the human element many retailers have purchased software that assists the clerk in sales that require age verification. A good example of our compliance efforts is the overall tobacco compliance rate that has averaged over 90% the past 4-5 years.

Competition is the consumers’ best friend. Competition keeps a price check on products and forces the retailer to be very good at what they do or they do not stay in business. SB298 is consumer friendly and offers products and services that our customers want.

Liquor stores are going to claim this is a big box v. small business issue. It’s not.

I cannot stress this point enough. Yes, large retailers are helping advance this issue, but it's wrong to say this is solely big box. Look through the written testimony we've provided. Read about the small grocers who desperately want this to pass so they have a better standing in their business as they'll be able to sell what their customers want to buy. Acknowledge the legion of independent convenience stores that make up the landscape across the state. These are also small businesses. These are also places with employees who depend on their jobs, who raise their families here, and offer as much to their community as a liquor store employee.

Of course, no grocery store, large or small, has come to you to say, "Please pass a law to protect us from competition. Please don't let anyone else sell food." Similarly, no c-store has stood here and said "We have to pass a law so only convenience stores can sell gas." In essence that is how the law works with liquor sales.

There's no question this legislature that reinforces daily the merits of free market would look at our business owners and remind us it's not the government's role to ensure we make a profit.

It's unfortunate it's been the government's role to ensure a profit for liquor store owners since Prohibition. We're genuinely sorry it's falling on you to remedy bad policy adopted decades ago. But the remedy must be made. It's not right to knowingly allow a special interest group to control the market at the expense of an entire state, including rural grocery and convenience stores.

Uncork Kansas has worked hard to find a bill that gives value to liquor license holders – as legislators told us they wanted to see – and also results in our customers getting the shopping experience they desire. We've conceded a lot of things to liquor stores as a result. This bill looks remarkably different from the first bill we introduced to this body. We're okay with that as we're willing to compromise so we can get legislation passed that will finally put this state in a better position to retail adult beverages.

The addition of the county option in SB 298 will draw criticism from the opposition. They will come up with a slew of reasons why county option is a bad idea. But when you think of how liquor bills in the past have been passed it came down to a vote at the local level.

We say this is a consumer bill and as such shouldn't the consumers in each town have the right to vote on this legislation? It will be incumbent on all beer retailers to educate the public of the changes being made...that's just good service.

Mr. Chairman, we have spoken to many legislators, proponents and opponents and they say the same thing, "it's going to happen." I hope today the members of this committee say the same thing and "pass this bill out!"

Thank You