



February 13, 2017

Memorandum:

To: House Commerce, Labor and Economic Development Committee
From: Thomas M. Palace, Executive Director PMCA of Kansas
Re: Testimony Supporting HB 2282

Mr. Chairman and Members of the House Commerce, Labor and Economic Development 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.

PMCA supports HB 2282.

Mr. Chairman, last year we testified in support of HB 2718. A bill designed as a defensive move on behalf of the Beer Wholesalers to assist their customers/retailers should Cereal Malt Beverage (CMB) sales decline. This action was in response to legislation in Oklahoma and Colorado that would allow convenience stores to sell strong beer. And I can report that both Oklahoma and Colorado were successful passing legislation that allows beer and wine sales in C-stores and grocery stores.

Last year, we were told that now was not the time, the legislation was premature. Now that both states have passed legislation to all but eliminate CMB, it appears that now is the time to start the process for Kansas. We need to modernize the liquor laws like 47 other states already have.

Of the five states that require the sale of CMB (3.2% alcohol measured by weight) Oklahoma has the largest concentration of CMB sales in the United States. I am told that if you combine CMB sales for Oklahoma and Colorado it would equate to approximately 65% of all CMB sales sold in the U.S. This statistic should indicate to the legislature our cause for concern!

Today, we know that Oklahoma and Colorado were successful in the efforts to allow convenience and grocery stores to sell "real beer" and we believe that in time CMB will go away. Please know, we do not speak for the breweries as to whether or not CMB will be eliminated...there are still 3 states that require CMB – Kansas, Utah and Minnesota. But in reality, how long will beer companies continue making a product that has diminishing returns? My guess is that if CMB continues to be made it will be done so in a limited quantity, meaning we will not be able to offer the different brands we have today.

HB 2282 will:

- 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.
- Liquor stores can sell non-alcoholic products not to exceed 20% of gross sales

Petroleum Marketers and Convenience Store Association of Kansas

115 SE 7th • Topeka, KS 66603
PO Box 678 • Topeka, KS 66601-0678
785-233-9655 • Fax: 785-354-4374

- Liquor store owners can own multiple liquor stores
- *Does not* allow for volume discounts and beer and wine cannot be sold under cost.
- Licenses for beer and wine may be limited to that number is reasonably processed by the ABC – first come, first serve basis
- The ABC can enter into agreements with local law enforcement to enforce the provisions of the Kansas liquor control act
- Beer and wine sales may be transacted by a person 18 years of age or older
Some object to this, but in my opinion this provision is no different than the 18 year old waitress working at Olive Garden that checks identification at the table and serves a mixed drink.

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 to 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.

Age Verification

Regulatory compliance and proper sales techniques are very important to convenience and grocery retailers. 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.

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. HB 2282 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 vs small business. 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.

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