

HB 2282 – OPPOSITION TESTIMONY

Chairman Les Mason and members of the House Commerce, Labor and Economic Development Committee:

My name is Steve Faust and I am the owner of MDL Wine & Spirits in Overland Park. I am writing this letter to state my opposition to the latest version of Uncork Kansas legislation and its potential impact on Kansas retailers and their families. I am writing this letter not only for myself, but also my wife, brother, sister-in-law and my father as we are all retailers in Kansas. We feel, as do all Kansas retailers that Uncork Kansas legislation would destroy our businesses, business investments, savings, and futures simply to benefit the bottom line of out-of-state multi-billion dollar retailers like Wal-Mart, Hy-Vee, Quik-Trip and Kroger/Dillons.

In 2008 I was presented an opportunity to expand my business by opening a new store in Johnson County. I decided on this location after it was announced that a Hy-Vee superstore was scheduled to open in 2013 in a neighboring center. I secured financing through a local banker familiar with my business and invested my life savings, pledged all my business and personal assets and signed a 10 year lease on a 23,000 sq. ft. space. When I made the life changing decision to make an investment of over \$2 million dollars, I gave significant consideration and weight to the existing state law that limits the sale of liquor, wine and strong beer to retail liquor stores only. By doing so, I was acting in reliance of Kansas liquor laws that date back to 1948. I NEVER would have made that decision knowing that after opening, I would not only be competing with Hy-Vee, but a Hy-Vee C-store, CVS, Walgreens, 7-Eleven and Phillips 66, all located at my intersection.

While Uncork's latest bill only seeks to sell wine and strong beer, it will have the same impact on current retailers as all of their bills to date. Starting in 2018 the state would add thousands of new retail outlets for the sale of beer and wine, diluting the market and spelling the immediate demise of over 400 local retailers, having a devastating impact on hundreds of Kansas families. I'm sure some of you have been told or even thought that other states with laws similar to what Uncork proposes have independent retail liquor stores so Kansas will also. This is true, it just won't be 400 or more of the ones that are currently operating. The difference between other states and Kansas is that in other states independent retailers knew who and where their competition was and made decisions on location based on that knowledge. They didn't chose locations next to grocery or big box stores, they chose locations that accommodate consumers for convenience. Kansas retailers made those decisions based on the current law. We chose locations next to grocery and big box stores in high traffic areas to make it convenient for consumers. I can say with all certainty that if House Bill 2282 passes, I would lose at least 35 to 40% of my sales which would result in the closure of my store. Not only would I lose my business that I have spent my entire adult life building, I would have the additional insult of being sued by my landlord ensuring I lose everything I have. In 2008, when I made the decision to expand my business, I had no way of knowing that in 2 years Uncork Kansas would start aggressively lobbying to put me out of business. I feel that

passage of HB2282 in its current or a modified version would be a betrayal of the business partnership I made with Kansas and would be grossly unfair.

I'm sure most if not all Kansas retailers realize that you were elected to represent all Kansans and make tough decisions that are in the overall best interest of Kansas. While we would be personally disappointed and financially devastated if Uncork Kansas proposed legislation were enacted, we could understand the decision if it was going to create 1000's of new jobs and generate 10's of millions of new revenue for the state, but that just isn't the case. In fact, it's just the opposite. Industry experts estimate that under the proponents' plan roughly 70% of all retail transactions for off-premise consumption will be done by corporate chains. This means that today, 100% of all profits generated under the current system are earned by Kansas small business owners and reinvested in the Kansas economy. In fiscal year 2015, the Kansas Department of Revenue reported \$56 million in Liquor Enforcement Tax collections. This equates to roughly \$700 million in gross sales made by Kansas liquor retailers. Using the national average 20% profit margins for retail liquor sales, Kansas retailers generated roughly \$140 million in gross profit. Economic studies show that dollars spent locally multiply 5 times, meaning these profits generated \$700 million in economic activity in Kansas. Kansas liquor retailers employ over 3500 people statewide, use local bankers, accountants, lawyers, service and supply companies and live and pay taxes in their community. Under the proponents' plan, 70% of those profits would be diverted to their corporate offices to be distributed to their shareholders with no resulting economic benefit for Kansas.

Like all retailers in the State, my family made decisions about the size of our stores, locations, layout and product mix based on the laws that have been in effect for over 60 years. The fact is, if Uncork Kansas legislation is passed, every business decision I have ever made concerning every aspect of my business will have been wrong and leave me out of business and bankrupt.

I strongly urge you to vote no on any legislation introduced by Uncork Kansas.

Thank you,

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