

**Proponent Testimony
SB 15
Linked Deposit Loan Program
Senate Financial Institutions
January 19, 2021**

Mr. Chair and members of the committee I am Adam Mills, President of the Kansas Restaurant & Hospitality Association. We support the effort to create a linked deposit loan program because Kansas small businesses may need another financing tool. This may not be a solution for everyone, but it will be for some. I attached last year's testimony because it is a time capsule we all need think about. At the time 64,000 restaurant & hospitality workers had been laid off, the industry lost \$325 million of sales in March alone, and the when we asked for some relief, any relief, our members who needed another financing tool only saw our report of a gubernatorial veto.

We will also be presenting several other legislative issues throughout the session to make permanent alcohol delivery, property tax adjustments, and securing our due process rights in the statutes.

Last year we represented half of every licensed restaurant in the State. Since then, we have suspended association dues, given restaurants free memberships to give access to our resources, suspended insurance premiums for our workers compensation fund participants, and at the same time worked harder than imaginable chasing units of governments around educating them as best as possible on their many novel new ideas. The COVID pandemic has caused chaos in our industry.

According to a recent national survey by the National Restaurant Association, nearly 1 in 6 restaurants (representing nearly 100,000 restaurants) is closed either permanently or long-term; **nearly 3 million employees** are still out of work; and the industry is on track to lose \$240 billion in sales through the end of the year.

- Consumer spending in restaurants remained well below normal levels in August. Overall, sales were down 34% on average.
- Association analysis shows that the foodservice industry has lost \$165 billion in revenue March–July and is on track to lose \$240 billion this year.
- Our research estimates that for 2020, at least 100,000 restaurants will close, but the initial scope of closures won't be known until government statistics are released in the months ahead.

- 60% of operators say their restaurant's total operational costs (as a percent of sales) are higher than they were prior to the COVID-19 outbreak.
- On average, restaurant operators say their current staffing levels are only 71% of what they would typically be in the absence of COVID-19.
- In a recent [consumer survey](#), 56% of adults said they are aware of a restaurant in their community that permanently closed during the pandemic.

Regarding alcohol curbside and carryout this quote from our National CEO, Tom Bene sums up why an extension is needed and eventually a permanent fix required:

“Our survival for this comes down to the creativity and entrepreneurship of owners, operators, and employees. Across the board, from independent owners to multi-unit franchise operators, restaurants are losing money every month, and they continue to struggle to serve their communities and support their employees.”

Customers have changed their habits to conform to the new movement and spacing thoughts. To the extent state laws are barriers to our ability to provide customers with the service they desire, we would encourage reform. The linked deposit loan program is a reform measure that will help small businesses have another financing tool unlike any PPP, SBA or private loan.

**Kansas Restaurant & Hospitality Association
Testimony on
Economic Recovery Linked Deposit Program
Senate Financial Institutions and Insurance
May 15, 2020**

The Kansas restaurant and hospitality industry has never experienced the level of government intervention as we have in the past two months. While our association understands the need to stand down our businesses under threat of the COVID-19 pandemic, please know it came at a significant cost. I have provided a handout with some stark numbers; Since March 1 we have lost \$325 million dollars in sales, 64,000 restaurant employees have been laid off or furloughed, and 38% of restaurants have closed at least temporarily.

Please know, if you choose, as a legislative body to do nothing until next January, many of your favorite places will be out of business. Most small restaurants had an average of 20 days cash reserves. Unfortunately, nearly 60% of our customers don't expect to go to a restaurant within the next month at the earliest. Simply being open does not mean our restaurants are able to break even.

Specifically, regarding the Economic Recovery Linked Deposit program, the KRHA asks you include this measure as an alternative to secure long term financing. While the federal PPP loan program was helpful to some, we continue to work with Congress to fix the structural issues that prohibit other small businesses from justifying it as a meaningful financial tool.

Additionally, we have asked other House and Senate committees to consider these additional issues:

- Eliminate the penalties and interest on property taxes until the emergency order ends.
- Eliminate pre-paid sales tax to avoid the same cliff if another government shutdown occurs.
- Allow for the selling of growlers, wine and mixed drinks to go.
- Limit legal liability for public facing entities complying with public health guidance.
- Secure the linked deposit loan program to create a long term financing tool for access to capital.
- Finally, oppose the KDOL proposed rule of presumed workers compensation COVID-19 liability.

Our experience is there is no government program that can replace a meaningful business. However, supporting the Economic Recovery Linked Deposit program will help and KRHA encourages the legislature to find a way to get this issue over the finish line.