

TO: Chair Les Mason
Vice Chair Ken Corbet
Ranking Member Brandon Whipple
Members of the House Commerce, Labor and Economic Development Committee

FROM: Aaron Rosenow, Vern's Retail Liquor

DATE: February 14, 2017

Re: House Bill 2282

Thank you for the opportunity to address your committee today in opposition to HB 2282.

I am a second generation veteran liquor store owner born and raised in Topeka. I recently was forced to build my own building due to the fact that my lease was not going to be renewed for reasons still unknown to me. I did not receive any tax breaks with this building. I did not receive any taxpayer support for this endeavor. There were no STAR bonds or TIF investments. I alone am responsible for the success and or failure of my business. These investments were made based on Kansas laws and regulations and an expectation of a generally stable business environment. These investments involve my own collateral – and it is me and my family who would pay for it if the business is not successful. I do not have a board of directors in some other state with deep pockets to fund my business nor pay my loans for me.

Passing HB 2282 could close my business and will close hundreds of other liquor store owners.

You have heard from Kroger, Walmart and others stating why they believe their stores should be able to sell strong beer and wine – defined in Kansas statutes as alcoholic liquor. I have nothing against these other businesses. I do know that they answer to people who don't live in Kansas. I live in Kansas and have my entire life except for when I was serving in the Marine Corps. I spent time in combat zones that made more sense than what this bill would do to the state that I grew up in and love. There is nothing wrong with the current laws regulating the sale of alcohol. The only problem is that corporate retailers – all of whom are not based in Kansas - are not getting profits from sales of alcoholic liquor. To change that, they use words like Free Enterprise, illegal monopoly, and customer inconvenience. What they don't say is that this bill could raise your taxes through unemployment, lost tax revenue, more government spending to regulate more stores, and fewer customer choices.

I now own my building, but hundreds of other store owners lease their property and are at the mercy of commercial lease agreements. In the current market, it is wise to locate your store close to a large grocery store for the customer traffic. Those grocery stores often have a non-compete clause in their commercial lease, which means that once they can sell alcohol products (wine and beer in this bill), no other retailer in that development can sell them. In more extreme cases, Walmart or Kroger owns the development. In both cases, if this law passes, those store leases will control whether or not the liquor store must close – not whether or not they can compete.

It is a privilege to possess a liquor license. I take that seriously. My store is set up to provide for easy monitoring and oversight. My staff is trained to sell alcoholic liquor carefully and legally. Our compliance record is important for the long term ability to hold the license. It is an issue of personal responsibility

because the State holds me responsible. If I were to get four violations, the ABC penalty is to close the store for 2 days. Grocery stores and convenience stores just put a sign over the beer case – this is not an equal penalty.

If my store should lose its license due to excessive violations, I would be unable to get another license. But HB 2282 creates the opportunity for corporations and sub-corporations to hold licenses. In the case of violations or problems, these entities can simply reorganize a new entity. The big stores included in this bill have tall shelving, multiple entrances and are less able to monitor the product. Industry publications warn of these difficulties and say liquor bottles are one of the most high risk products for walking out the door – whether it is the front door or the back door. Add on top of that clerks who are 18 years of age. The State of Washington reported a sharp increase in thefts and lost inventory after allowing liquor sales by corporate retailers.

What is most confusing to me is why Kansas would take a business that supports 760 or so small businesses and pass a law that will kill 30% to 40% of them in the first two years? Kansas is a small business state and we are always looking at ways to build up small businesses and the jobs they create. Vern's Retail Liquor employs six people.

Each month, I write checks to other small businesses for many services. The local banker, insurance agent, attorney, janitorial supply, refrigeration maintenance services, and point of sale company are not going to be hired by Wal-Mart. The loss of jobs will go beyond the retail liquor store itself. And these are also the local businesses that sponsor baseball teams, donate to local charities, and support church fundraisers. The big stores have their preferred charities, but will they make up for the loss of all of these local businesses?

I do not oppose competition. Current liquor laws do not limit how many liquor stores can open on my street. There are two liquor stores within a mile of me right now. It is a very competitive business. But it is not right to throw aside the current Kansas small businesses selling liquor in the name of "free market" when in reality it is nothing more than these big box retailers aggressively searching for more profit and market share regardless of who they hurt. Don't believe me? Just ask any of the former grocery store owners and retailers in the dozens of towns in Kansas that have been put out of business by the Wal-Mart's, Dillon's and their co-conspirators. I'm sure when all of you were running for office and talking to your constituents about the merits of your campaign and what you wanted to do when in office that the number one priority was not to shut down local business and lay off hundreds of people. Then you were going to take the money from those businesses and ship it to other states. I'm sure if that was in your stump speech you probably wouldn't be here today listening to me. Well that is exactly what is being proposed today.

If I did not own a liquor store I would still be against this bill. Why should we pull the rug out from several hundred small businesses and give up the state and local taxes they contribute because an out of state company that already gets tax breaks wants to sell whiskey next to milk and bread? Look past the shiny trinket that UnCork Kansas is trying to sell you and look at the numbers. Then tell me it's worth my business and my employee's jobs.

Respectfully submitted,
Aaron Rosenow
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Topeka