



Comments to Joint Committee on Economic Recovery
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Chair and members of the committee, I am Scott Schneider and I represent the Kansas Restaurant & Hospitality Association. I was asked to organize my presentation around four questions:

- What is the severity of the economic impact on our industry?
- How long do we anticipate it will take to get our industry back on its feet?
- What type of government regulations have been placed on our industry since the start of the pandemic?
- What recommendations do we have that could assist in the recovery of our industry?

Before I begin discussing these topics, I would note that we believe the exercising of the Emergency Management Act has created the largest government taking of private property in our State's history. It is with that perspective that these topics should be considered. That being said, because the Courts have not created a set rule or remedy, it is appropriate for the legislature to consider how best to move forward.

I would like to start with the last question, because I think it's the most relevant. What recommendations do we have moving forward? Initially, it should be noted that the fluid nature of the on again off again local and executive level orders created and continues to create significant uncertainty. Uncertainty reduces private investment, and reduced investment is going to reduce the taxes levied.

Our first recommendation is that this body should consider suspending the tax obligations of businesses to the extent the government has limited the ability of the private sector to produce income to pay those taxes. Should the government tax businesses that they have also told to shut down? The answer should easily be no.

Second, there should be some avenue for businesses to seek fair compensation related to the exercise of the EMA. This would recognize that exercising the EMA, whether at the state or local level, reduces the value of private property. We can now only use 50% of our property, while at the same time the public continues to collect taxes. This is a classic taking under the 5th Amendment. We can call it due process, a special claim against the state or against the county, but some avenue or redress needs to exist during a time when power becomes centralized, the courts shut down, and the government has granted itself large amounts of immunity.

Additionally, I suggest the sunsets of legislation passed in the special session be removed. Foremost, the business liability protections for a community wide disease such as this should be placed in statute. Second, the restrictions around the delivery of food and beverage should permanently be removed. Delivery is here to stay and several of the restrictions should even be modernized and expanded. We would also support a linked deposit loan program, recently vetoed by the Governor, to create a reliable loan program. Finally, we will continue to also be mindful of many of the other business cost drivers such as unemployment insurance.



The second question I want to address is the severity of the economic impact. Simply stated, the Kansas restaurant and hospitality industry and its employees have been devastated by the economic fallout caused by the coronavirus pandemic. In the month of May, the National Restaurant Association conducted a survey and concluded that \$325,000,000 of sales were lost from the food and hospitality industry. That was just in May.

Among Kansas restaurant operators that haven't closed permanently, **80 percent** say they have laid off or furloughed employees since the beginning of the coronavirus outbreak in March. Among these restaurant operators that laid off or furloughed employees, the average reduction was **78 percent** of the restaurant's total staff. On average, these operators have rehired **65 percent** of the employees that were laid off or furloughed.

Third, how long will it take to recover? A strong majority of Kansas restaurant operators are not optimistic that their business will return to normal any time soon. Among Kansas restaurant operators that haven't closed permanently, **96 percent** say their total dollar sales volume during May was lower than it was during the same period in 2019. On average, Kansas restaurant operators reported a **63 percent** decline in sales. Only a small portion of restaurant operators reported that their business improved. Among restaurant operators that are open for business in any capacity, **25 percent** say their sales increased between the last two weeks in April and the first two weeks in May. **74 percent** of restaurant operators say it is unlikely that their restaurant will be profitable within the next six months, under the assumption that there will be no additional relief packages from the federal government.

Finally, what type of restrictions have been placed on our industry? The list is extensive but here are a few: (1) we have been called essential but then shut down if the carry out and drive through options are not available; (2) we have been required to increase cleaning even though we were already required to clean as part of our licensure; (3) in Shawnee County, we were required to close from 2 to 3 every day because of a cluster reported at a dance hall; (4) we have been required to buy additional PPE, even when there wasn't any available; (5) we have been required to police our customers, particularly with regard to mask mandates; and, (6) travel restrictions have all but stopped most corporate travel.

Currently, most restaurants can only operate at a 50% capacity. This is to create social spacing and minimize congested areas. The best restaurant businesses are only profitable at 80%, and with a majority of businesses, the margins are even less. Every day these restrictions continue it is a day closer to closing, because right now most every operator is operating at a loss.