

**KRHA Restaurant & Hospitality Industry Update
Scott J. Schneider, Hinkle Law Firm
Senate Commerce Committee
May 14, 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.

I was asked to give an update on both what has helped, hurt and provide a way forward.

What has helped?

- The \$5 million dollar Hospitality Industry Relief Emergency (HIRE) fund.
- The Kansas Department of Agriculture guidance on reselling unprepared food.
- The April 22 Executive Order 20-27 allowing the selling of mixed drinks.
- The April 30 Executive Order 20-29 allowing 10 people within six feet or the addition of physical barriers.

What has hurt?

- Standing down one half of food distribution in Kansas.
- Not quickly allowing for additional lines of commerce (growlers, mixed drinks).
- Not quickly addressing which expenses and taxes should be paid.
- Unstable government and small business uncertainty. Not knowing who has what authority and evaluating how to either risk a dollar or close the business.

What needs to be done by the legislature?

- 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.

What can you do?

- Encourage confidence. Our businesses will only regain their footing if customers have confidence it is safe to go back out in public.
- Demand more balanced data. Government has a role to play in providing balanced and accurate information. For example, it is important to both know how many new COVID cases are in our community and also how many people have been released from the hospital and recovered. We need to have balance in our public message.

Our experience is there is no government program that can replace a meaningful business. However, we have shared real solutions that will help and KRHA encourages the legislature to find a way to get them over the finish line.

Kansas COVID-19 Restaurant Impact Snapshot

Restaurant Industry THEN
(March 1, 2020)

5,322

Eating and drinking place
locations in Kansas in 2019

\$5.5 billion

Estimated sales in Kansas's
restaurants in 2019

143,300

Restaurant and foodservice jobs
in Kansas in 2020 = 10% of
employment in the state

Restaurant Industry NOW
(April 16, 2020)

BETWEEN MARCH 1 - APRIL 16*

38%

of operators temporarily
closed their restaurant

83%

of operators who laid off or
furloughed employees

BETWEEN MARCH 1 - APRIL 16*

\$325 million

Restaurant sales lost in April
due to COVID-19 outbreak

64,000

restaurant employees laid
off or furloughed since
COVID-19 outbreak

Support the Industry that serves us all. We need Congress to provide
the industry with relief — now! Text RECOVERY to 52886



**Source: National Restaurant Association, national survey of more than 6,500 restaurant operators conducted April 10-16*

KANSAS COVID-19 Restaurant Impact Snapshot

“I have **laid off all employees and stopped taking a salary myself as the owner/operator**. We have too much inventory on hands and there are not enough people using carry out options provided to be sustainable for our staff and business. **We have multiple notes, loans, and bills** that we will be unable to pay.”

*Restaurant operator,
Lawrence*

860+
messages sent to
Sens. Moran
and Roberts
to support
restaurants

“I own 15 restaurants in 4 Midwest states. I am currently operating with drive-thru only at this time. **My sales are down 35% and not sure how long I can sustain this level of sales**. I am trying to keep as many employees on the payroll. I would appreciate any assistance from sales, payroll tax relief. I have reached out to my lender on making interest only payments for April and May. Thank you!”

*Restaurant operator,
Wichita*

“My child’s father’s sole source of income is from bars he owns and music venues he owns and runs. **We must help him and all of his employees**. There are so many people who will be in dire situations soon if we do not act.”

*Restaurant operator,
Wichita*

“**My restaurant, employing sixty people is closed, leaving us all with zero income**. We aren’t sure if the restaurant will be able to reopen.”

*Restaurant operator,
Andover*

For more information contact Matt Walker: mwalker@restaurant.org

Restaurant.org/Covid19



May 12, 2020

The Honorable Susan Wagle
Senate President
Kansas Capitol
300 SW 8th Street
Topeka, KS 66612

The Honorable Ron Ryckman, Jr.
House Speaker
Kansas Capitol
300 SW 8th Street
Topeka, KS 66612

Subject: Extension of authority for retail sales of alcohol beverages to go

Dear Madam President and Speaker Ryckman:

As you know, the Governor issued Executive Order 20-27 last month allowing restaurants to sell beer, wine and mixed drinks as part of “to go” food orders. Previously in March, the Alcohol Beverage Control Division also released some modifications of the rules governing the take out of wine and beer products from restaurants. The EO and ABC regulatory changes are a response to the COVID 19 restaurant closures and override existing state statutory and regulatory restrictions on such sales.

For many small businesses, franchisees and their thousands of employees, these modest changes have been a life saver. Likewise, the public has adapted from the “dining in” experience to the “dining out” experience. This “new normal” is likely to be with us for some time as COVID 19 continues to require social distancing, reducing the number of those permitted to dine in and increasing the number of those who now may prefer the take out experience.

In short, the restaurant business, its employees and the public have adapted to the new take out liquor option and we believe that it is now a very good time for lawmakers to modify the existing government limits on alcohol sales to reflect the needs of the public and the businesses that serve it. Unfortunately, EO 20-27 is set to expire on May 31, 2020, long before the pandemic is over, long before social distancing is a thing of the past and long before the negative impact of the government closing of restaurants has been forgotten.

We would urge the legislature to permanently codify the take out liquor provisions of EO 20-27 and enable the promulgation of any necessary ABC regulatory changes. Several other states have acted to make similar liquor law changes more permanent. Among the various Executive Orders issued, this provision and the ABC rule modifications may have done as much good as any to preserve many Kansas dining establishments and the service sector jobs they provide. It

would be a shame for this option to disappear in a couple of weeks while restaurants and their customers still need and want the alcohol take out option.

Thank you for consideration of our views and please do not hesitate to contact me or any of those interested parties listed below who also support this proposal.

Sincerely,

Adam Mills
Kansas Restaurant & Hospitality Association

CC: Scott Schneider, Kansas Restaurant & Hospitality Association
Tuck Duncan, Kansas Wine & Spirits Wholesalers Association
Larrie Ann Brown, The Wine Institute
Brad Smoot, Distilled Spirits Council of the United States