

Senator Colapietro, Representative Shapiro and members of the General Law Committee, I am Robert DeZinno, President of the Connecticut Restaurant Association. We wish to express our views concerning SB 925, An Act Establishing a Restaurant Gift Card and Certificate Guaranty Fund, and SB 892, An Act Concerning Gift Certificates.

The Connecticut Restaurant Association expresses its concern for consumers that might lose their money when a restaurant gift certificate becomes unredeemable due to the unforeseen failure of the restaurant. A business failure is always a tragic event for its owners and their families, its employees, and in the case of outstanding gift certificates, its customers.

We are also concerned about Connecticut's restaurants that have lost gift certificate sales recently due to the lack of consumer confidence brought on by the publicity afforded this issue. Traditionally, holiday season sales of gift certificates are brisk, providing needed sales during the otherwise quiet months of January and February. Our members have reported December, 2008 gift certificate sales as much as 50% less than the year before. After adjusting for a slower general economy, it is still apparent that a lack of consumer confidence was the cause.

Small business prefers to solve its problems without government involvement. That being said, in concept, a gift card guaranty fund seems like a solution to the problem. However, there are many issues that we feel have not been adequately addressed in the proposed legislation. They follow:

- The ability to develop a new system within a tight timeframe
- The affordability to the state of management of the system
- The proposed payment into the guaranty fund is reasonable for a larger operation, but might be burdensome to a small "mom and pop" operation
- Some quick serve restaurants issue gift cards in amounts as low as \$5, yet have hundreds of units around the state
- The proposed guaranty fund addressing only restaurant gift certificates, when other industries also sell gift certificates
- There are hundreds of point-of-sale systems that produce and validate gift cards, and the state's ability to be able to read the outstanding balance on a card when presented against the fund for reimbursement

Our association is diligently pursuing the industry's own solution to the problem. We have met with insurance providers to discuss bonding participating restaurants, offering the consumer a new level of confidence. We are currently in the development stages of a gift certificate that could be honored at hundreds of restaurants across the state. In the event of a restaurant closure, the gift certificate would still be redeemable elsewhere.

Addressing SB 892, in the opinion of this association, an escrow account or letter of credit create an unacceptable burden on our small businesses. The sale of a gift certificate creates a liability that the business agrees to honor; in the course of the conduct of its business, a restaurant assumes many liabilities, all of which are

routinely paid. Considering the investment in the business, ordinary vendor credit, and equipment leases to name a few, gift certificate sales are likely one of the smaller liabilities that the restaurant holds. Escrow accounts are not generally required to assure satisfaction of normal business liabilities. The value generated by the business' acceptance of the liability must benefit the business as well as the consumer. Consumers must make educated decision of their own.

Thank you.