



TESTIMONY

House Bill 2282

An Act concerning alcoholic beverages; relating to the Kansas liquor control act.

House Commerce, Labor and Economic Development Committee

Whitney Damron

On behalf of the

Kansas Association for Responsible Liquor Laws, Inc.

February 14, 2017

Good afternoon Chairman Mason and Members of the Committee:

My name is Whitney Damron and I appear before you today in opposition to HB 2282 on behalf of the Kansas Association for Responsible Liquor Laws, Inc. (KARLL).

By way of information, KARLL was formed in 2012 to shine a light on the efforts of big box retailers and convenience stores who seek to radically alter the way Kansas has regulated the sale of intoxicating liquors for more than 60 years for the benefit of a handful of out-of-state corporations. A listing of our members is included with my testimony.

Over the past 5-6 years, we have seen various proposals from the organization now operating under the moniker of "Uncork" and all have failed to advance very far in the legislative process. Past legislation has included caps on the number of retailer licenses, liquor license transfer fees, requirements to buy a license from a retailer in the same county; density/proximity limitations; buy one of the three closest stores; multi-year phase-in and, of course, last year's Hail Mary of promising more than \$40 million in license fees to help solve the state's budget deficit. All of these proposals had the same goal: Take over the sale of these adult-only products for the benefit of their corporate bottom line and shareholders to the detriment of Kansas small business.

This year's bill is a bit more straight-forward: We want in this business; we want in it soon (July 1, 2018) and we want your retailer's money for our own... and not necessarily in that order.

Should legislation such as HB 2282 pass, Uncork's members stand to take over a substantial portion of the state's retail liquor sales and export profits to corporate offices in places like Bentonville, Cincinnati, West Des Moines and Tulsa resulting in the closure hundreds of small businesses and the accompanying destruction that goes with it – loss of jobs, loss of local investment in ancillary services, decline in value of real property and exportation of tens of millions of dollars in revenues to out of state interests.

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Some of you may recall the much-touted study by Dr. Art Hall commissioned by Uncork's predecessor organization, the Coalition for Jobs and Consumer Choice, released in January of 2011. Uncork's own study said if their bill were implemented, more than half of the state's retail liquor stores would go out of business and more than 1,500 retailer jobs would be lost (*An Economic Case for Increased Competition in the Sale of Beer, Wine and Spirits in the State of Kansas*, Arthur P. Hall, PhD, January, 2011).

In 2014, my client expended nearly \$10,000.00 for a Wichita State University study of HB 2556. That study found that HB 2556 would result in a loss of 621 jobs during its initial phase in period and more than 1,800 jobs upon full implementation (*Analysis of the Economic Effects of HB 2556*, Kenneth A. Kriz, PhD, May 2, 2014).

We are working with the University of Kansas on a new economic impact study, but due the fact this legislation was requested for introduction on January 12, but didn't show up in print until February 6, it has been difficult to gain a firm handle on Uncork's proposal for this session. However, given the previous studies that have been conducted on similar bills, it is a safe assumption the underlying results will be about the same: Hundreds of retail liquor stores closed, hundreds of jobs lost and millions of dollars exported out of state with no accompanying increase in sales or state revenues.

Opponents raise points about "free market competition" and cite how other states regulate the sale of intoxicating liquors as reason to change the laws in Kansas. The answer to why change is not warranted lies in how we got to where we are at today. A regulatory framework dating back more than 60 years to the time Kansas set up its regulatory framework for the sale of intoxicating liquors following the repeal of prohibition. The state set up a 3-tier system of manufacturers, wholesalers and retailers. Retailers were limited to selling only one product – intoxicating liquors. This has not changed since enactment except for the allowance to sell lottery tickets after the constitutional amendment legalizing a state-owned lottery was passed in 1986.

The current retailer market allows for the greatest competition and market choice. There are approximately 760 retailers in Kansas and no one individual can own more than one store. Under Uncork's proposal, we will see massive market consolidation from these out-of-state corporate giants followed by large chain retail liquor stores, which are prevalent in other states that allow for multi-store, corporate ownership.

Retailers who have relied on a stable regulatory framework for all these years have located their stores near their customers. Many are located next to or in the same shopping development as large grocery stores – these will be the first to go out of business under HB 2282.

Some may cite activity in Oklahoma and Colorado as reason to change the way Kansas sells beer and wine. First all, both states have initiative and referendum provisions in state law. Several of the members of Uncork spent literally millions of dollars pushing statewide initiatives with unending supplies of cash, which the retailers and small business supporters simply could not match. The financial pressure with that kind of legislative opportunity is what really led those states to adopt legislation changing the way certain liquor products are sold in the state, not some overwhelming interest in their respective legislatures.

There is nothing in the public record that would support the contention that changing our state's structure for selling these adult-only products would increase jobs, sales or state revenues. All information available suggests the contrary. Uncork's members are some of the largest corporations in the world and all are retail giants who will use such market power to take over a large portion of the sale of these products in our state.

Uncork wants to do for the retail liquor store owner what it did to the rural and independent grocery store: Take their market share, drive them out of business and export profits back to the corporate office. There is nothing "free" about Uncork's "free market proposal" for the sale of high alcohol content beer and wine in Kansas.

On behalf of the Kansas Association for Responsible Liquor Laws, we ask you to consider the cost to Kansas business men and women and the impact of allowing for the sale of these adult-only products in grocery and convenience stores.

Thank you for your consideration of my remarks.

Whitney Damron

**Kansas Association for Responsible Liquor Laws, Inc.
2017 Membership**

<u>MEMBER</u>	<u>CITY</u>
Moonlight Liquor	Gardner
All Sports Liquor	Haven
Kaiser Liquor	Hays
DJ Liquor	Hutchinson
Egbert Liquor	Hutchinson
Knipe Liquor	Hutchinson
Stanley's Liquor	Hutchinson
Rogers Liquor	Kansas City
Village West Liquors	Kansas City
On the Rocks	Lawrence
Ranchmart Wine & Spirits	Leawood
Valley Wine & Spirits	Lenexa
The Fridge Wholesale Liquor	Manhattan
Tipsy's Wine & Spirits	Mission
Brown Bag Liquor	Olathe
Metcalf Discount Liquor	Olathe
Top Cellars Wine & Spirits	Olathe
Lukas Wine & Spirits	Overland Park
MDL Wine & Spirits	Overland Park
Pairott Head	Pittsburg
Brooks Liquor	Salina
Missie's Discount Liquors	Shawnee
Devlin's Wine & Spirits	Topeka
McNeive Retail Liquor, LLC	Topeka
Vern's Retail Liquor	Topeka
ABC Liquor	Wichita
Burgardt Retail Liquor	Wichita
Jacob Liquor	Wichita
R & J Discount Liquor	Wichita

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