KANSAS ASSOCIATION OF BEVERAGE RETAILERS

Testimony presented to House Commerce, Labor and Economic Development Committee
May 4, 2015

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to present testimony respectfully requesting that you reject HB 2200 and its proposed amendments. It is worth noting that today's proposal is the fourth version of HB 2200 this session.

The Kansas Association of Beverage Retailers represents the independent Kansas businesses licensed by the State of Kansas for the off-premise sale of strong beer, wine and spirits. Strong beer, wine and spirits are classified by Kansas statute as "alcoholic liquor".

A county option changes nothing about the Big Box Liquor issue. While some may feel relief that the issue could be determined on a local basis – liquor retailers need to be able to rely on a predictable and stable statewide regulatory system. Statewide liquor regulation is complicated today – with pricing and product availability determined on a statewide basis.

Allowing Sunday sales or different hours of sales locally is manageable. But this proposal will result in counties where no consumer or law enforcement officer can tell from the outside of a business whether or not it sells wine, beer and spirits; or strong beer; or cereal malt beverages. The rules for the ages of the employees, legal hours of sale, and even the display of products will be different. There is no reason to assume that all grocery and convenience stores will choose to sell strong beer instead of cereal malt beverage in a county that adopts the change. We know that some stores have already encountered difficulty convincing the local police that the convenience store across the street is not supposed to sell CMB on Easter or before noon on Sunday.

Every retailer in the state WILL be affected by a checkerboard market system that allows corporate chain liquor sales and strong beer sales on a county by county basis. Product availability, pricing and delivery is currently affected by statewide demand – and that will continue regardless of what each county decides to do.

The consumer will also feel the effects.

Ultimately, this is just another way to transfer the current retail liquor marketplace – an industry that encourages Kansas family owned small business success – to the corporate chains. Local retailers and churches will have no way to combat the expensive Uncork PR machine when it comes to their county. While the Uncork PR program is now focused on 165 state legislators, imagine the effect when it is pointed to three county commissioners. Uncork will pay for dozens of petitioners to walk door to door and speak the same over-simplified and often untrue "monopoly" message to your neighbors. Postcards and advertising will carry that message.

Read the articles about petitioners and problems with liquor laws made by local ordinance:

- Four Indicted in Petition Fraud http://www.topix.net/com/kr/2015/03/1503236B5CNF
- 3 Indicted over Kroger Liquor Petition Signatures http://www.dispatch.com/content/stories/local/2015/01/24/3-indicted-over-petition-signatures.html
- Union - Delaware Counties Sheriff Investigating Kroger Petition Signatures http://www.thisweeknews.com/content/stories/marysville/news/2014/10/10/union-delaware-counties-sheriff-investigating-kroger-petition-signatures.html

While Uncork wants to paint their proposal as limited and beneficial to liquor store owners, it is simply the same old market takeover. The provision to "add value" to current licenses by requiring that Big Box Stores would have to purchase a current liquor license will not work as advertised.

First, the current market supports 749 liquor licenses because it includes the sale of strong beer, wine and spirits. Strong beer sales make up the majority of most store sales (some even as high as 80%), provide customer traffic for sales of other products, and represent growing craft beer demand.

This is proven by the fact that the number of liquor stores in Kansas has remained very stable over the past decade.

The Uncork proposals allow strong beer to be sold by grocery and convenience stores with no limitations on the product. The alcohol content in craft products can be very high.

The Division of ABC estimates there are 1775 eligible businesses that might begin selling strong beer if the bill is passed. At this point, the Kansas customer base will no longer support the existence of 749 liquor stores. A significant number of stores will fail and their licenses return to the State – there will be no bidding war to inflate the value of surviving licenses.

The proponents continue to say that "not all liquor stores will close." KABR has consistently testified that the loss of locally owned businesses depends on the legislation, but every proposal results in a significant loss of independent businesses – not all. There are two economic studies – Colorado and DISCUS - indicating that strong beer sales alone (without the big box liquor sales) will result in closure of locally owned retail liquor stores. I was very surprised to hear one House member state in committee debate that he had never seen anything that showed that strong beer sales would change liquor store sales. He argued that most beer buyers don't want to stand in a grocery store line. It is a surprising assertion, when one considers that virtually every consumer spends some time in a grocery store or gas station during each week. Why wouldn't they buy beer while they are there?

Review the studies:

- Colorado LBA Summit Study 3.2 Beer Impact Update 2011 Replacing cereal malt beverage sales with strong beer sales expected to reduce the number of liquor stores by 40% within three years and 51% within five years.
- Colorado Economic Impact Study of Replacing 3.2 Beer Sales with Strong Beer Sales 2009 Same.
- DISCUS Analysis: Full Strength Beer Sales Impact on the Spirits Industry 2008 A minimum loss of 241 stores initially.

Of course, there is also the Dr. Art Hall study commissioned by the Big Box Stores that predicted around 50% of stores would close once beer, wine and spirits were sold by grocery and convenience stores.

Other evidence supporting fewer alcohol outlets per population density:

- Potential Health Effects of Expanding Liquor Sales to Grocery and Convenience Stores – Kansas Health Institute
- Regulating Alcohol Outlet Density: An Action Guide
- Robert Wood Johnson Study 2003: A Case for Regulation: Less Access to Alcohol, Fewer Traffic Deaths

When we talk about limiting the density of alcohol outlets, that discussion needs to include liquor stores, grocery and convenience stores, bars, restaurants, microbreweries and any other retail liquor business, because that is what the studies have measured.

There are numerous changes in the current proposal from either HB 2200 or SB 298. These changes deserve more than an abbreviated review.

Regardless, we appreciate the Chairman's interest in hearing from the stakeholders once again before taking further action. We respectfully request the committee reject the proposed amendments and the bill. HB 2200 is not good for Kansas locally owned retail liquor stores and it is not good for Kansas communities. This is true with or without the county option.

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