TESTIMONY

HB 2200
An Act concerning alcoholic beverages; relating to retailer's licenses

Whitney Damron
On behalf of the
Kansas Association for Responsible Liquor Laws, Inc.

House Commerce, Labor and Economic Development Committee
February 12, 2015

Chairman Hutton and Members of the Committee:

I am Whitney Damron and I appear before you today in opposition to HB 2200 on behalf of the Kansas Association for Responsible Liquor Laws, Inc. KARLL is an association of 28 retailers from across Kansas who created this organization in 2011 to oppose the efforts of the *Uncork* coalition. A copy of our membership list is included with my testimony.

To borrow a line from the great Yankee Yogi Berra, "It's déjà vu all over again."

Another legislative session and yet another liquor bill from *Uncork*, an organization of some of the largest and most powerful corporations in the world who seek to rewrite more than 60 years of regulatory oversight for the sale of intoxicating liquors in our state for the economic benefit of their corporate bottom line and shareholders.

Uncork has been advocating for radical changes in our state's liquor laws for years. Although their bills have slight differences year in and year out, the bottom line remains the same: *Uncork's* members stand to take over a substantial portion of the state's retail sale of liquor products and export profits to corporate offices in places like Bentonville, Cincinnati, West Des Moines and Tulsa if their proposal is enacted.

Some of you may recall the study by Dr. Art Hall commissioned by *Uncork's* predecessor organization, the *Coalition for Jobs and Consumer Choice*, released in January, 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). Given the findings of this study, its little wonder the *Coalition for Jobs and Consumer Choice* changed its name and buried it after its results became known.

And while every bill *Uncork* introduces is a bit different than its predecessor, the results are the same: Kansas loses jobs and profits are exported out of state.

In 2014, my client expended nearly $9,000.00 for a study of HB 2556, *Uncork's* 2014 bill, by noted economic professor Dr. Kenneth Kriz, the Director of the Kansas Public Finance Center for Wichita State University. Dr. Kriz' 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). A copy of that study is available upon request.

Two economic studies, both by credentialed university professors have looked at two different *Uncork* bills introduced over the past few years. One study was commissioned by the proponents and one by the opponents with both finding a substantial loss of retailer jobs resulting from either bill. We believe *Uncork's* 2015 legislation will produce the same results if enacted as well.

Uncork suggests its efforts to take over the sale of hard liquor, high alcohol content beer and wine is nothing more than an exercise in free market principles. Nothing could be further from reality. First of all, it is noteworthy that *Uncork's* bill only expands the sale of intoxicating liquors from existing retailers to themselves and not to other businesses. That limits their competition for obtaining a license from an existing retailer as provided for under HB 2200.

And what of the idea that freezing retailer licenses as of July 1, 2015 will create value for existing retailers? That may be true for a handful of current licensees, but by and large those remaining in business will see significant devaluation, if not a total loss of their investment over time.

The *Uncork* "buy a license" plan rewards the worst retailers – those with the poorest of locations, those who have failed to reinvest in their businesses over time, perhaps those with the most regulatory citations and those without a succession plan at the expense of the best, most successful retailers who have the greatest investment in stores located in high traffic areas, which in many instances means in close proximity to the very proponents of this legislation. Reward the worst; kill the best.

Another point to keep in mind, since the issue of "free market principles" has been brought up so often by the sponsors of this legislation: What about the taxpayer subsidies *Uncork* companies have benefitted from? There are any number of *Uncork* member stores in Kansas that have received taxpayer subsidies through tax increment financing, community improvement districts and related economic development incentives for their stores. The same privileges certainly have not been granted for existing Kansas liquor retailers.

Google "Kansas TIF" or "Kansas Tax Increment Financing" and interchange "Dillon's, Wal-Mart and Hy-Vee" and you will find dozens of hits for this subject. You will also find articles highlighting the fact when these corporate giants don't get their way or a store becomes unprofitable, oftentimes they simply close it down and walk away, leaving cities and area residents to deal with an abandoned big box store and the crippling effects it can have on a retail center (e.g., *Dillon's closing two Wichita stores, Wichita Business Journal,* July 7, 2014; *Hy-Vee closes its Leawood store, Kansas City Business Journal*, June 2, 2014; and, *Wal-mart move to Mission Gateway will hurt Roeland Park's taxes, retail, Kansas City Business Journal*, November 25, 2011), just to note a few examples of these kinds of stories.

The current retailer market allows for the greatest competition and product choice, both of which benefit the consumer. There are approximately 750 retailers in Kansas and no one individual can own more than one store. Under *Uncork's* proposal, in a short period of time we will see massive market consolidation from these out-of-state corporate giants followed by market entry of large chain retail liquor stores. As the market consolidates and existing retailers are forced out of business, there will no longer be a need for *Uncork's* members to buy an existing retailer's license, as they will be available upon request from ABC as stores are hundreds of retailers are forced out of business and their licenses expire.

In addition, according to KDOR, as of December 1, 2014 there were 1,775 off-premise retailers selling Cereal Malt Beverage (CMB) products. The *Uncork* bill eliminates the restriction on the sale of strong beer in Kansas, some of which have an alcohol content of 12% or more, which is the same or similar to wine and some spirits. As a result the state will see nearly 2,500 locations selling high alcohol content beer in Kansas upon implementation of HB 2200 – an increase of more than 200 percent.

The current regulatory system for the sale of intoxicating liquors in Kansas works. The hype and alleged public demand for allowing for the sale and promotion of liquor products in grocery stores along with meats, vegetables and sundry items is dramatically overblown by a Madison Avenue/Mad Men marketing campaign that has clogged up legislator's e-mail SPAM files with technology-driven messages from people blindly following *Uncork's* solicitation to anyone walking into their store to text a legislator. Several legislators I have spoken with have followed up on these texts-to-email messages and find the senders have no clue who they are writing to or what the issue even is about, much less the ramifications of HB 2200.

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 intoxicating liquors in Kansas. The costs to Kansas and Kansans will be staggering.

On behalf of the Kansas Association for Responsible Liquor Laws, we ask you to reject this proposed state-sanctioned transfer of wealth to these out-of-state corporate giants and stand with the men and women who have responsibly sold intoxicating liquors in Kansas under the current system for more than sixty years.

Thank you for your consideration of my remarks.

Whitney Damron

Additional Information:

Fortune 500 (2014 Rankings):

Company	Rank	Corporate HQ	2014 Figures
Wal-Mart	1	Bentonville, AR	$473.1 Billion Net Sales Market Cap: $278.5 Billion*
Kroger (Dillon's)	23	Cincinnati, OH	$98.3 Billion Net Sales Market Cap: $35.2 Billion*
Casey's General Store	389	Ankeny, IA	$6.6 Billion Net Sales Market Cap: $3.5 Billion

*As of 02/08/15

Forbes Private Companies (2014 Rankings):

Company	Rank	Corporate HQ	2014 Revenue
QuikTrip	27	Tulsa, OK	$11.45 Billion
Hy-Vee	46	West Des Moines, IA	$8 billion

Kansas Association for Responsible Liquor Laws, Inc. (KARLL) 2015 Membership List

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