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**WRITTEN ONLY**

The Honorable Mark Hutton  
Chairman, House Commerce, Labor and Economic Development Committee  
Capitol, Room 521-E  
Topeka, Kansas 66612

Subject: HB 2718 – Beer sales by grocery stores and convenience stores

Dear Chairman Hutton and Committee Members:

I represent the Distilled Spirits Council of the United States (DISCUS), a nationwide trade association for America's leading distillers, representing about 70% of the distilled spirit brands sold in the U.S. We have been following with interest this novel proposal to amend Kansas liquor laws to allow grocery and convenience stores to sell beer as well as cereal malt beverages (CMB). While we have remained neutral on other bills to allow beer, wine and spirits to be sold in grocery stores, we must express our opposition to HB 2718 allowing only beer and CMB to be sold outside of the traditional liquor store setting.

To our manufactures, distributors and most importantly our customers, spirits, wine and beer are all legal products that should be regulated the same by the state. HB 2718 discriminates against our customers and our business. In addition, Kansas is home to successful distilled spirit manufacturers who will also be hurt by this discrimination in marketing opportunities.

In addition to the public policy concerns about product discrimination, we must express our concern about the "trigger" mechanism that allows grocery and convenience stores to be licensed to sell beer. New Section 1 imposes on a CMB manufacturer the obligation to notify the secretary of revenue if it ceases to manufacture CMB of any brand registered in Kansas. The secretary is then directed to calculate the "projected" loss in the CMB gallonage tax and if the tax is expected to drop 25% or more, the secretary MUST declare that the CMB is no longer available in sufficient quantities and the door is opened for the licensing of beer sales in grocery and convenience stores.

This very unusual statutory mechanism literally gives a private manufacturer of CMB the ability to cause the issuance of a new class of state liquor licensees for the sale of beer in grocery and convenience stores. In other words, in the absence of decision of a private business to discontinue a CMB brand for sale in Kansas, beer in grocery stores does not happen. While it is often the practice of the legislature to delegate authority to a state agency to perform administrative or regulatory functions, we think it creates serious legal implications when such authority is given to a private business entity.

We respectfully urge you to reject such market discrimination and regulate the marketing of all alcohol products equally. Thank you for consideration of our views. Please feel free to contact me if you have any questions or concerns.

Sincerely,



Brad Smoot  
Legislative Counsel

cc: Adam Smith