



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

February 4, 2021

Hon. James Maroney, Co-Chair
Hon. Michael D'Agostino, Co-Chair
Connecticut General Law Committee
Legislative Office Building, Room 3500
Hartford, CT 06106

Dear Senator Maroney and Representative D'Agostino:

This testimony is submitted on behalf of the Distilled Spirits Council of the United States, a national trade association representing producers and marketers of distilled spirits and importers of wines sold in the United States regarding provisions in H.B. 6101 entitled "*An Act Concerning Various Issues Related to the Liquor Control Act.*" Specifically, we oppose Section 55, which would allow the sale of wine in grocery stores.

Allowing grocery stores to sell wine would have a negative impact on Connecticut package stores, driving many of them out of business. Consumption of wine in Connecticut is already **more than 42% above the national average**. Wine sales in grocery stores would merely transfer business from one licensee to another licensee and not generate new sales. It would, however, negatively impact the sales of spirits. As foot traffic in Connecticut package stores is reduced, fewer people will purchase spirits when they can easily buy beer and wine in grocery stores. Between lost wine and spirits sales, the average package store is projected to lose 9.4% of their total annual revenue.

In Tennessee, which made a similar change in 2016, package stores sales went down over 9%, spirits volumes declined approximately 4.5% lower than they otherwise would have been and the state lost roughly \$3.6 million in tax revenue. We project Connecticut would realize similar negative effects because the spirits excise tax rate is so much higher than the wine tax rate (\$5.40/gallon versus only \$0.72/gallon). Thus, any policy that favors wine over spirits is simply not a good business proposition for the Connecticut Treasury. The lost spirits sales would cause Connecticut to lose nearly \$1 million in net tax revenue.

Regarding the job creation projection from proponents, we suggest that is also faulty. Grocery stores have sufficient staff to stock shelves; selling wine would not cause a hiring boom in any way. However, job losses in package stores would occur as a natural economic impact – when sales go down that lost revenue must be made up and spending reductions would come in the form of fewer employees. Additionally, national experience indicates that grocery stores, which would allocate limited shelf space to the

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wine category would almost exclusively carry the top-selling national wine brand stock keeping units (SKUs).

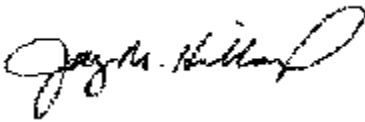
It is dubious at best that grocery store sales of wine would provide any long-term benefits for Connecticut in increased sales, job creation or tax collection but the harm to package stores and the state in the form of lost sales, job reductions and lower tax collection is almost assured.

I have attached an economic analysis that furthers details our concerns.

We strongly urge the Committee to strike the wine in grocery stores provision from H.B. 6101.

We appreciate your consideration of our views. Should you have any questions, please don't hesitate to contact me by telephone at 207-831-8285, by email at jay.hibbard@distilledspirits.org or our Connecticut counsel Linda Kowalski.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay M. Hibbard". The signature is fluid and cursive, with a large initial "J" and "H".

Jay M. Hibbard
Senior Vice President State Public Policy

cc: Members of the General Law Committee