

GENERAL LAW COMMITTEE  
TUESDAY, FEBRUARY 26, 2013 – 1:00 P.M., ROOM 2E, LOB

TESTIMONY OF COMMISSIONER KEVIN B. SULLIVAN  
DEPARTMENT OF REVENUE SERVICES  
HB 6361- AN ACT CONCERNING FAIR ALCOHOL PRICING

Good morning. I am Kevin Sullivan, Commissioner of Revenue Services and a member of the Legislature’s 2012 “Competitive Alcoholic Liquor Pricing Task Force.”

At one of our first Task Force meetings, I recalled during my time leading the State Senate how we decided to take on reforming Connecticut’s antiquated liquor control laws – and then ran quickly back from the abyss. While there may be many good reasons to regulate alcoholic beverages in terms of public health and safety, Connecticut’s history of marketing and permitting controls appear to have little to do with the best interests of consumers or a competitive marketplace.

Last year, you took a giant step forward by allowing Sunday sales. Overall, the result has been increased consumer convenience, increased sales and increased state revenue. Now, with HB 6361 – Governor Malloy’s proposal to modify statutory pricing – you help Connecticut join the other 49 states in offering fair pricing to consumers on a more level playing field for retailers.

Connecticut is the only state in the country – *the only state* -- with a minimum bottle price that is fixed by the wholesaler and mandatory for the retailer. In effect, no one even has the choice to sell below the price fixed by the wholesaler. The Governor’s proposal would eliminate this market subsidy which raises consumer prices by as much as \$4 to \$9 a bottle for wine and liquor. It would, instead, simply allow liquor stores to sell at their cost plus delivery costs.

Allowing a retailer to sell at cost-of-acquisition based on a case price rather than an arbitrarily established minimum bottle price should result in significant consumer savings, increase sales, allow Connecticut retailers to compete more openly in the state and also make pricing in Connecticut more competitive with out-of-state stores. The current price control simply serves no legitimate public purpose. It does, however, restrain trade and disadvantage consumers.

Please note that even under HB 6361, sales to consumers below cost are still limited, volume discounts are still prohibited and the number of state licenses will be unchanged.

Like Sunday sales, the suggested change will also bring in more state revenue. OPM estimates \$1.5 million more a year in liquor taxes and \$1.1 million more in sales taxes — without raising taxes and with lower prices. This estimate is based on the simple fact that far more Connecticut consumers will have for more reason to shop for fairer prices within the state rather in adjoining states.

Rather than deal with the anti-competitive nature of the marketplace as currently regulated, you will hear the problem is really Connecticut liquor taxes. There may be a case for lowering taxes on beer and alcohol. But without needed reforms like HB 6361, any lowering of taxes would only have the effect of increasing the built-in subsidy provided by fixed pricing.

Thank you for your consideration and I urge your favorable action on HB 6361.