



Legislative Testimony

Senate Bill 52 Alcohol Regulation

March 27, 2020

Chairman Johnston, Chairman Foster & Members of the House Finance Committee,

As we are all seeing in today's real-world environment dealing with the pandemic, government policies make a substantial difference in people's lives. Several policies being considered in Senate Bill 52 will make a real difference in the lives of consumers, employees, and business owners. Many of those employees and business owners are the very same ones who are now dealing with the economic fallout of the pandemic.

Increasing the hours that breweries, wineries, and distilleries may be open is a very positive policy reform. It allows business owners to choose hours that align most closely with those desired by their clientele. Expanded hours also simply allows these establishments can bring in revenue and pay salaries to employees for more hours every week. That allows the businesses to thrive and to potentially employ more people.

Likewise, allowing these establishments to host events is good. But limiting the number or types of events is simply not good for business. And right now, to recover from our current economic situation, Alaska needs to be good to our business community. When we begin to recover from the effects of this pandemic, we will need as many jobs as possible.

Not so long ago, microbreweries were not even "a thing" but some very creative and entrepreneurial people decided to take a chance by creating an entirely new market. Now this niche market employs hundreds of Alaskans. Each establishment should be free to express its own unique offerings via the special events it offers. That's the best way to allow these businesses to flourish.

Putting a cap on the number of licenses that can be issued for breweries, distilleries, and wineries is a clear and direct attempt at stifling competition. As basic economics

teaches us, competition creates better products and better prices. The proposed caps will in fact limit competition, which will drive up prices and may reduce the quality of existing establishments.

Perhaps even more concerning, though, is the effect that these caps will have on future entrepreneurs and business owners. Those who already own a distillery, winery or brewery will likely be quite content with the caps. But what about those for whom this is still a dream? What about the bartender who was laid off as a result of this pandemic, and who dreams of opening his own distillery in the future? Why is it acceptable to tell him that his community has hit its cap—"sorry, no new distilleries." Shouldn't the market determine the number of distilleries each community will bear—not a random number set by the legislature?

Setting caps on the numbers of distilleries, wineries and breweries is simply creating a new limited entry system. The legislature regularly has to involve itself in resolving problems that arise from other limited entry systems such as the recent issues with ridesharing companies and taxi medallions. The last thing we need is yet another limited entry system.

According to the Brewers' Association, in 2018, craft breweries alone created an economic impact in Alaska of \$326 million dollars, with 42 craft breweries. So why not \$500 million in 2021? Why not \$750 million in 2023? Why would government want to limit economic growth for our state?

In some communities around the country, these new establishments have revitalized blighted areas. In Alaska, these businesses are popular with tourists, and our state will need every tool in our toolbox to bring back our tourism industry.

The more government places restrictions and impositions on these establishments, the less chance these businesses have to thrive, and the fewer new ones we'll see opening.

Particularly at times like we are experiencing now, when we know that our economy is faltering, it is incumbent upon government to roll back and reduce restrictions that limit competition, that tamp down entrepreneurship, and that disincentivize job creation.

I would encourage the committee to do everything in its power to grow Alaska's private economy, not cap it.

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