



**New York State Association of Beverage Centers Testimony
Opposing FY 2027 Executive Budget Proposal Part P, Subpart G**

To the Honorable Senator Liz Krueger, Chair of the Senate Finance Committee, the Honorable Assemblyman J. Gary Pretlow, Chair of the Assembly Ways and Means Committee, and the distinguished members of the joint legislative fiscal committees,

This formal written testimony is submitted for your urgent consideration during the joint legislative budget hearing regarding the State Fiscal Year (SFY) 2026-2027 Executive Budget Proposal. The purpose of this testimony is to register unequivocal opposition to the provisions contained within Part P, Subpart G of the Public Protection and General Government (PPGG) Article VII legislation.

The proposal advanced by the Executive Chamber seeks to fundamentally restructure New York State's historical beer wholesale and retail markets by eliminating the 1960 cutoff date, a statutory provision that currently restricts the simultaneous exercise of combined wholesale and retail privileges to approximately 300 grandfathered "C license" holders. While the stated intent of this aggressive deregulation is framed as market modernization, the reality reveals a far more destructive reality.

The passage of this budget proposal will result in the systematic eradication of multi-generational, family-owned beverage businesses across every county in New York State.

The driving force behind Part P, Subpart G is not grassroots consumer demand, consumer protection, or a desire to modernize the state's regulatory framework. The legislation is the direct result of intense, highly funded corporate lobbying by national beverage chains and big-box retailers seeking to forcibly extract market share from local New York families. By eliminating the 1960 cutoff date and allowing any corporate entity to obtain combined wholesale and retail privileges for a trivial, nominal fee, the state is actively paving the way for massive warehouse-style retailers—such as Costco, Walmart, Kroger, Safeway, and Total Wine—to completely monopolize the New York beer market.

These multinational corporations possess insurmountable, structural economic advantages over independent, family-owned C licensees. They hold massive capital reserves that allow them to engage in protracted, intentional price wars, deliberately operating retail locations at a localized loss for years until neighborhood competitors are driven into bankruptcy. They operate vertically integrated, national supply chains that command unparalleled volume discounts from major brewers and suppliers. They utilize sophisticated, algorithmic logistics and inventory management systems that minimize overhead to fractions of a cent. Furthermore, they deploy aggressive corporate legal departments to navigate, exploit, and manipulate regulatory complexities to their exclusive benefit.

A multi-generational family business operating on traditional, localized margins simply cannot compete with a multinational conglomerate willing to deploy its infinite resources to capture a market. The independent operators lack the capital reserves to weather a multi-year price war. Once the independent C

licensees are eradicated, the corporate chains will inevitably consolidate the market. They will reduce product diversity, pushing out small, independent New York craft brewers who rely on C licensees for localized distribution, in favor of mass-produced, high-margin national brands. Ultimately, once the monopoly is established, these corporate actors will raise prices on the consumer, completely insulated from the competitive pressures that the C licensees previously provided. Doing this proposal as is would destroy these family-owned generational businesses in favor of big box corporate stores who will monopolize the market, permanently altering the economic fabric of the state.

We do not have to rely on theoretical projections or speculation to understand the disastrous outcome of this proposed deregulation; we have direct, verified, and highly analogous evidence from Washington State. In 2012, Washington voters passed Initiative 1183 (I-1183), a sweeping measure that privatized liquor sales and dramatically deregulated the state's alcoholic beverage market. The initiative was not a grassroots movement; it was heavily bankrolled by corporate interests. Costco alone contributed \$22 million to the I-1183 political campaign, viewing the deregulation purely as a calculated business investment to capture massive market share.

The proponents of I-1183 utilized the exact same rhetorical playbook currently being deployed by the Executive Chamber in New York. They promised the public that eliminating state controls, ending exclusivity, and expanding licenses to big-box stores would foster robust competition, generate efficiencies, and ultimately lower consumer prices. The reality of the deregulation was exactly the opposite. Rigorous, peer-reviewed research published in esteemed academic journals, including *Alcoholism: Clinical and Experimental Research* and *Alcohol and Alcoholism*, documented that Washington's privatization produced substantial, sustained, and immediate price increases across the entire market, far outpacing prices from neighboring states that saw exponentially lower price increases.

These massive price escalations occurred because the economic realities of beverage distribution are highly complex. When the market was deregulated, new market entrants faced significant higher startup costs to build out distribution networks without established infrastructure. The distribution networks became less efficient as they fragmented. Small, independent retailers immediately lost their collective bargaining power and could not secure volume discounts. Most importantly, the large corporate chains ultimately exercised their newfound market dominance to expand their profit margins once the independent competition was eliminated, realizing they no longer had to compete on price.

The outcome was so financially detrimental to the average citizen that a 2016 study published in the *Journal of Studies on Alcohol and Drugs* found that approximately 20% of the voters who originally supported the initiative experienced profound "buyer's remorse"—a percentage more than sufficient to have completely reversed the election outcome had the public been accurately informed of the true economic consequences in advance.

The Executive Chamber's assertion that Part P, Subpart G will create more competitive pricing that could benefit New York consumers is an empirically disproven fantasy. By destroying the existing, highly efficient network of C licensees and replacing them with profit-maximizing corporate monopolies, New York consumers will ultimately pay significantly higher prices for a narrower selection of products, perfectly mirroring the disastrous Washington State experience.

Additionally, This sweeping restructuring has been introduced into the executive budget without any prior consultation, without comprehensive economic or public health impact studies, and without speaking to us—the very stakeholders whose livelihoods are targeted for elimination. Enacting this proposal as is would instantaneously destroy these generational family-owned businesses, expropriating their enterprise value in favor of multinational, big-box corporate retailers who will aggressively monopolize the market, reduce consumer choice, and ultimately raise prices.

We urge the joint legislative committees to recognize the existential threat posed by Part P, Subpart G, and to strike it entirely from the enacted budget.

These C license entities are not faceless corporate conglomerates backed by international private equity, nor are they multinational holding companies seeking to optimize a massive real estate portfolio. They are deeply rooted, community-focused family businesses, the vast majority of which have operated continuously in their respective neighborhoods for three or four generations. For over six decades, these families have operated as the crucial intermediary and localized retail node in New York's beverage distribution network, anchoring the economies of both urban centers and rural municipalities.

The value of a C license is not merely derived from a piece of paper issued by the State Liquor Authority. It represents decades of literal blood, sweat, and tears expended in the service of the local community.

Throughout the tumultuous decades of the 1970s, 1980s, and 1990s, when many national retailers, supermarket chains, and corporate entities abandoned working-class neighborhoods and urban centers across New York due to rising crime and economic instability, these independent beverage center owners remained. They stuck it out through periods of severe urban decay, protracted economic recessions, natural disasters, and, most recently, the unprecedented operational nightmares and supply chain collapses of the global pandemic.

Operating a retail business—particularly one that historically handled significant volumes of cash transactions—in historically underserved or high-crime areas carried profound and undeniable physical risks. It is a grim but necessary reality to highlight the human toll behind these businesses: many of these store owners have been held at gunpoint, violently assaulted, and routinely robbed while simply trying to operate their businesses and serve their communities.

These local owners have looked down the barrel of a gun, surrendered their hard-earned daily receipts to armed assailants, swept up the broken glass, and returned to unlock their front doors the very next morning because their families depended entirely on the business for survival. They endured these profound traumas, built physical and emotional resilience, and invested their life savings into their storefronts, delivery routes, and local workforces to build something of lasting, transmittable value for their children and grandchildren.

The grandfathered C license, with its right to operate simultaneously in the wholesale and retail markets, became the economic moat that justified these immense physical and financial sacrifices. It is the protective barrier that has shielded these family businesses from being arbitrarily crushed by highly capitalized corporate competitors who fled the cities decades ago but now wish to return to harvest the profits. Now, these multi-generational family businesses are being forced to face the fight of their lives against their own state government. The Executive Budget proposes to strip away their primary asset—the exclusivity of the combined license—with zero preparation time, zero mitigation measures, and zero compensation for lost property value.

The state is effectively penalizing the very families who stuck it out and built the market, proposing to hand the fruits of their generational labor to big-box corporate stores that have never faced the localized hardships of the independent operator.

The proponents of the Executive Budget argue that C licensees require new competition to modernize the marketplace. However, this assertion fundamentally ignores the stark reality of current market data and the severe distress already permeating the independent beverage sector. Far from operating as an

untouchable monopoly, independent beverage centers in New York are currently facing an existential crisis driven by shifting consumer habits, severe regulatory asymmetry, and unprecedented macroeconomic pressures.

An analysis of the State Liquor Authority's licensing data reveals a staggering, accelerating contraction in the footprint of C licensees across the state. The data demonstrates that these family-owned businesses are closing at an alarming rate. Since 2021 alone, over 100 C licenses have permanently shuttered their doors, representing the loss of hundreds of local jobs and the erasure of immense local capital. In 2021, there were only ten counties in the entirety of New York State that did not possess an active C license. According to the most recent data provided by the State Liquor Authority, that number has now skyrocketed to 24 counties.

This means that in just a few short years, 14 additional New York counties have entirely lost their independent, locally owned combined wholesale-retail beverage centers. These closures create vast market deserts where corporate consolidation can accelerate unchecked, depriving local consumers of the personalized service and specialized inventory that independent operators historically provided. This rapid attrition is directly correlated with the regulatory environment that overwhelmingly favors "A licenses" (such as massive grocery stores, drug stores, convenience chains, and bodegas), which New York State currently has over 10,000 of.

The A licenses have exploded in number across the state precisely because they represent a far more profitable, highly diversified, and legally flexible business model. A massive supermarket or a corporate convenience chain operating under an A license possesses the structural ability to utilize beer as a localized loss leader or a complementary good. They can easily cross-subsidize their alcohol sales with high-margin items such as prepared culinary foods, pharmaceuticals, fresh produce, and general merchandise.

By aggressively discounting beer, these A license holders draw foot traffic into their stores, recouping the lost margin through the sale of highly profitable adjacent goods.

By contrast, C licensees operate under incredibly strict, antiquated statutory limitations regarding the types of non-alcoholic products they are legally permitted to sell. Historically, C licenses have been severely restricted to selling only soft drinks, juice drinks, ice, basic snack foods, tobacco products, and lottery tickets. They are legally prohibited from diversifying their revenue streams in the same manner as an A license holder. Because they cannot cross-subsidize their operations with high-margin grocery items, their entire business model relies entirely on the margin generated by beverage sales. When A licenses explode in number and engage in loss-leader pricing, the C license holder is mathematically squeezed out of the market. The playing field is entirely unlevel, and the mass closure of over 100 C licenses since 2021 is the direct, undeniable result of this regulatory asymmetry.

The regulatory disadvantages faced by C licensees are currently being compounded by unprecedented macroeconomic shifts within the global and national beverage industry. Industry data unequivocally indicates that overall beer trends have significantly slowed down over the past several years. While the craft beer segment previously drove localized growth and allowed specialized beverage centers to thrive by offering vast selections of unique products, total volume sales in the traditional beer market have plateaued and, in many demographics, actively declined.

Consumers are rapidly shifting their purchasing habits. There is a massive generational pivot toward alternative beverages, including ready-to-drink (RTD) spirits, hard seltzers, and most notably, a significant expansion in the low-alcohol to mid-strength segments and non-alcoholic alternatives.

Because C licensees are historically tethered strictly to beer and specific malt beverage distribution, they are disproportionately harmed by this macroeconomic slowdown in traditional beer consumption. As beer trends have slowed down, family-owned businesses have watched their core revenue driver stagnate. Conversely, the highly diversified A licenses—grocery stores and large retail chains—simply pivot their shelf space to whatever consumer good is currently trending, entirely insulated from the specific downturn in the beer sector.

When a multi-generational, family-owned business is forcibly replaced by a corporate big-box chain, the economic damage extends far beyond the immediate loss of the business owner's livelihood; it triggers a cascade of wealth extraction that impoverishes the entire surrounding community. To fully grasp the magnitude of the economic destruction proposed by this budget rider, the joint legislative committees must consider the macroeconomic principle of the local economic multiplier.

Research consistently and overwhelmingly demonstrates that dollars spent at locally owned, independent businesses recirculate through the local economy at a rate two to four times higher than money spent at national chain operations or online corporate giants. Comprehensive studies conducted by Civic Economics across multiple municipalities have quantified this severe disparity: on average, 52.9% of every dollar spent at a local independent business is recirculated within the immediate local economy, compared to a mere 13.6% of revenue captured by chain stores. Furthermore, research from the Institute for Local Self-Reliance (ILSR) confirmed that every \$100 spent at a local independent store generated \$45 of secondary local spending, compared to only \$14 for big-box chains. The Urban Institute has similarly confirmed that locally owned small businesses recirculate a much larger proportion of revenue within their communities than large, multinational corporations.

Independent C licensees maximize this local economic multiplier. They have operated in their respective New York neighborhoods for over 65 years. They hire local labor, often providing stable, higher-wage positions with upward mobility, health benefits, and personal investment in employees, compared to the minimum-wage, high-turnover models deployed by corporate retail. More importantly, independent owners procure their secondary goods and services locally. They hire local accounting firms, utilize local printing presses for their marketing materials, contract with local mechanics for their fleet maintenance, and bank with local financial institutions. The profits generated by a C licensee are used to pay local property taxes, fund local school districts, and generously support neighborhood charitable causes and community institutions.

When a corporate giant like Costco, Kroger, or Walmart captures this market share, the local supply chain is completely and instantly destroyed.

Procurement shifts to national, centralized corporate networks. Accounting, legal, and marketing services are handled out-of-state. Most destructively, the net profits are immediately extracted from the New York community and transferred to distant corporate headquarters and Wall Street shareholders. By enacting Part P, Subpart G, the legislature would be actively facilitating the extraction of hundreds of millions of dollars in localized economic activity, converting stable, middle-class family wealth into out-of-state corporate dividends, thereby impoverishing the very communities the legislature is sworn to protect.

An often-overlooked but equally catastrophic consequence of destroying the C license ecosystem is the total collapse of New York State's beverage container recycling infrastructure. Independent beverage centers are not merely retail outlets selling products; they are foundational, highly operational pillars of the state's environmental policy under the Returnable Container Act (commonly known as the Bottle Bill).

Under the strict statutory framework of the Bottle Bill, beer distributors operate as "deposit initiators."

They bear the immense logistical and financial responsibility of collecting deposits, reimbursing downstream retailers and redemption centers, and managing the physical reclamation, sorting, and recycling of vast quantities of glass, plastic, and aluminum containers. Over the past several decades, New York's independent beer wholesalers and C licensees have invested tens of millions of dollars of their own private capital into acquiring the physical real estate, heavy machinery, and specialized sorting facilities required to process these massive volumes of empty, soiled containers.

This decades long investments have yielded spectacular environmental dividends for the State of New York. Since the implementation of the Returnable Container Act, New York has maintained an average container redemption rate of 65%, and beverage container litter in public spaces, parks, and waterways has been reduced by a staggering 70%. This incredibly successful environmental ecosystem is entirely dependent on the physical scale, localized presence, and capital infrastructure of the established C licensees.

New, smaller operators, or the massive big-box stores focused solely on retail square-footage optimization, will absolutely refuse to dedicate their highly valuable commercial real estate to the dirty, labor-intensive, and pest-attracting process of massive container sorting and collection. They lack the physical warehouse space, the specialized capital equipment, the necessary volume scale to justify the massive infrastructure costs, and the long-term community commitment required to amortize these specific environmental investments over decades.

As the family-owned C licensees are driven into bankruptcy by predatory pricing and market saturation, the physical nodes of the state's recycling network will simply vanish. The State of New York will then be faced with a severe, binary crisis: either appropriate massive new public expenditures—funded directly by taxpayers—to build a state-run recycling infrastructure to replace the lost private capacity, or abandon the mandates of the Bottle Bill entirely.

Abandoning the system would lead to a devastating resurgence of glass and plastic litter in our communities, waterways, and rapidly filling municipal landfills, creating an ecological disaster of the state's own making.

Finally, beyond the profound economic, regulatory, and environmental devastation detailed above, the procedural mechanism being utilized to force this highly contentious legislation through is deeply troubling and an affront to fundamental principles of democratic transparency.

Part P, Subpart G has been quietly inserted into the Executive Budget as an Article VII rider, deliberately bypassing the standard, rigorous legislative committee process where standalone bills are subject to intense scrutiny, debate, and amendment.

This family-owned business sector is facing an existential threat, yet there has been absolutely no prior stakeholder consultation with the multi-generational families whose very livelihoods are on the chopping block. The Executive Chamber drafted this sweeping proposal without speaking to us, without touring our specialized facilities, and without acknowledging the historical sacrifices we have made to build this market.

Furthermore, there has been no comprehensive economic impact study commissioned by the state to evaluate the downstream effects on local employment, localized tax revenues, or the survival rate of independent businesses. There has been no public health impact assessment examining how a massive expansion in combined wholesale-retail outlet density will impact neighborhood consumption patterns, underage drinking rates, or local crime. There has been no environmental impact review addressing the inevitable collapse of the bottle bill infrastructure.

Perhaps most shockingly, there is zero transition period provided for these legacy businesses to adapt to a completely new regulatory paradigm; the proposal is slated to take effect a mere 90 days after the budget's enactment. To fundamentally alter the competitive landscape of an industry that has operated under a stable regulatory consensus since 1960, and to do so via a massive budget rider in three months with zero preparation time, zero mitigation measures, and zero compensation for the destruction of lost property value, is the antithesis of responsible governance.

No responsible state government should eradicate 65 years of vested business rights and expropriate the equity of its working-class citizens without conducting fundamental due diligence. At an absolute minimum, a restructuring of this magnitude demands transparent public hearings, independent economic and environmental audits, and a mechanism for compensating the license holders whose state-sanctioned property values are being legislatively destroyed.

The members of the joint fiscal committees are tasked with deciding whether the state's economic landscape will be preserved for the hardworking families who built it through decades of sacrifice, or whether it will be handed over to multinational corporations seeking to extract local wealth for the benefit of distant shareholders. The store owners who hold C licenses are the very embodiment of the American Dream in New York State.

They have braved armed robberies, navigated severe economic collapses, and invested their entire lives into serving their communities. They have maintained flawless compliance records, supported local supply chains, and built the private infrastructure that keeps our state's environmental recycling programs functional.

To wipe out their multi-generational legacy through an unvetted, corporate-sponsored budget rider is a profound injustice. The data proves beyond any reasonable doubt that the elimination of C license exclusivity will not lower consumer prices, as explicitly and historically demonstrated by the catastrophic failures of deregulation in Washington State. Instead, it will grant a permanent, unbreakable monopoly to big-box corporate chains.

Therefore, we respectfully and urgently request that Senator Krueger, Assemblyman Pretlow, and the distinguished members of the joint legislative budget committees reject the Executive Chamber's attempt to legislate catastrophic market reform through the opaque budget process.

We urge you to completely strike Part P, Subpart G from the final Fiscal Year 2027 Enacted Budget, thereby protecting New York's multi-generational family businesses from unwarranted, unstudied, and irreversible legislative destruction. The survival of hundreds of independent businesses, thousands of local jobs, and the economic vitality of communities across all 62 counties of New York State depend entirely on your decision to reject this flawed proposal.