



January 26th, 2021

Senator Delores Kelley
Chair, Senate Finance Committee
3 East Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

Re: Senate Bill 177- Business Regulation- Flavored Tobacco Products - OPPOSE

Dear Senator Kelley and Members of the Senate Finance Committee,

My name is Shelby Kemp, and I am a Marketing Project Manager for Royal Farms Convenience Stores. Royal Farms main business includes convenience, fuel, and quick service restaurants. Our company headquarters is in Baltimore, MD, and we operate 161 stores in the state of Maryland, employing 3,167 employees in the state total. We are also a 3rd generation family-owned business.

Let me start off by saying that Royal Farms takes age verification for age restricted products very seriously. All new employees are required to take an extensive 1.5-hour training on proper tobacco practices and pass an exam with 100% before they can move forward with employment. All existing employees are required to take a 45-minute refresher training once a year and must pass an exam with 100% before moving forward. The training covers topics like house rules, carding techniques, and the right to refuse sales. We also pay a 3rd Party, The BARS Program, to send undercover people into our stores, posing as underage consumers, to ensure our employees are carding everyone who appears under the age of 21. Each store gets an undercover check between 1-4 times a month. If the employee fails the undercover check, they are required to complete a 2-hour retraining with an exam. We require and invest money into the tests, exams, and 3rd party verification because we want to ensure underage consumers do not get their hands on any tobacco, including flavored.

In terms of sales, Tobacco represents 36% of our total in-store revenue, with Menthol representing 46% of that total. We open approximately 20 stores every year, providing careers to thousands of employees with the revenue that we earn, including revenue from tobacco sales. With a decrease in overall tobacco sales due to a loss of flavored tobacco, we will have no choice but to cut back our growth. We may even have to close existing stores to account for the lost revenue. Layoffs of hundreds of employees would also occur as a result.

We are also concerned about the negative social impact this ban may trigger in our communities. There would be new opportunity for people in states not far from Maryland such as Virginia, Delaware, and Pennsylvania to sell flavored cigarettes illegally in our state to satisfy the large consumer demand. In 2009, Congress and the Obama Administration chose not to ban Menthol cigarettes in the Tobacco Control Act because a ban might trigger an illegal secondary market. We too, share this fear and agree that passing a ban will not have the desired outcomes.

Not only might the bill not have the desired outcomes, but Maryland will also no longer receive the tax revenue they once did from Royal Farms and other tobacco retailers. Each year, Royal Farms pays the

state of Maryland approximately \$59 million in taxes for tobacco. If you remove the sale of Menthol, you will lose approximately \$27.1 million in taxes from Royal Farms alone.

Please consider our plea to oppose Senate Bill 177.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shelby Kemp', written over the printed name.

Shelby Kemp
Marketing Project Manager
skemp@royalfarms.com