

## **South Dakota's liquor and pot laws a drag on state's entrepreneurs, study says**

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Liquor licenses are selling on the secondary market in Sioux Falls for a quarter million or more.

And that's holding South Dakota's economy and entrepreneurs in the hospitality industry back.

That's according to the Cato Institute, a libertarian think-tank that champions liberty and free markets.

The Washington D.C.-based organization this week released findings from a study that ranked all 50 U.S. states and their friendliness to entrepreneurs.

Overall, South Dakota earned positive marks because of a generally lax regulatory climate and low taxes, coming behind only the state of Georgia.

But keeping the Mount Rushmore state from being the most entrepreneur-friendly state in the country are the state's tightly regulated liquor licensing rules and uncertainty regarding marijuana legalization.

"Legalization is creating opportunities for marijuana growing and retailing businesses, as well as for startups that provide the industry with equipment, financing, consulting, and other products," wrote Chris Edwards, director of Cato's tax policy studies division, in the 42-page report he authored and published Wednesday.

### **How difficult is it to get a liquor license?**

What is certain, though, is aspiring bar and restaurant owners in South Dakota struggle to break into the hospitality market because of the limited number of liquor licenses the state makes available.

Edwards took note of an Argus Leader investigation from 2019 that found people waiting a decade or more for a liquor license to become available through their municipal governments.

That's because the number of liquor licenses cities and counties are allowed to issue are based on population, and the price of them has to be at least \$1 for every resident. In Sioux Falls, a new license goes for nearly \$200,000.

Sioux Falls businessman Ted Thoms told the Argus Leader in 2019 that he put his name on a waiting list when he envisioned a steakhouse near 12th Street and Sertoma Avenue. By the time his name was called, a decade had passed and he'd already sold the land to a developer. He deemed the restaurant investment "one of the worst investments I've ever made."

With new licenses only coming available when the population is updated and certified, something done every two years in Sioux Falls, those with the available capital are being pushed to the secondary market in their hunt for a license, where they are being sold for \$300,000 or more.

Edwards' report notes entrepreneurs deal with similar challenges stemming from liquor license regulations as well, including in New Jersey, Rhode Island and Pennsylvania. And in all those cases, "the high cost of alcohol licenses blocks entry of new restaurants, thus limiting competition."

"It also advantages large corporate chains over independent entrepreneurs," he said.