

Nick Jordan, Secretary
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Sam Brownback, Governor

House Federal & State Affairs Committee
SB 299

Testimony of
Doug Jorgensen
Director, Alcoholic Beverage Control

March 8, 2012

Good afternoon Mr. Chairman and members of the committee. I thank you for the opportunity to appear here today to present additional testimony in support of SB 299.

Several members expressed concern over the all-inclusive and unlimited alcohol service areas. Of particular concern to the members was the possibility of going below cost on the "sale" of drinks in these areas, and the Department's ability to collect liquor drink tax on these sales. I hope the following information concerning how ABC anticipates these areas will function will be helpful to the committee.

1. The all-inclusive areas
 - The ticket price is divided into three "accounts": event; liquor; and food (including non-alcoholic beverages)
 - A certain amount of the ticket price is assigned to the liquor account
 - A tally is kept of the number of drinks served during the event
 - At the conclusion of the event, the venue figures its cost on the number of drinks served
 - If the cost of the number of drinks served exceeds the assigned liquor amount, the venue would reallocate monies from the food or event account to make up the difference
 - Liquor drink tax is remitted on the total amount collected in the liquor account

Example:

- Sold-out designated area seats 150 ticket holders, serves only draft beer
- All inclusive ticket sold for \$50.
- Venue assigns \$10 of each ticket price to the liquor account.
- During the event, 500 cups of draft beer are served (@ 3.5 kegs)
- Venue's cost for the draft beer is \$350 (@ \$100 per keg)
- Total liquor account for event is \$1,500
- \$150 (10%) liquor drink tax remitted to the state

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2. Unlimited drinks for a fixed price

- Based on the licensee's experience in other states and at previous events where liquor is sold by the drink, the venue makes an informed estimate on how many drinks will be served during the event
- The venue anticipates it will make a profit from the sale of alcoholic liquor in this area
- A tally is kept of the number of drinks served during the event
- At the conclusion of the event, the venue figures its cost on the number of drinks served
- If the cost exceeds the amount collected from the price, the price paid by the consumer is adjusted for future events
- Liquor drink tax is remitted on the total price paid by the consumer, or on the cost of the liquor served, whichever is greater

Example:

- Designated area holds 100 people who possess special tickets to gain entry
- Venue anticipates each ticket holder (on average) will consume four drinks during the event
- Venue assigns a "price" to each drink, say \$5
- Venue adds a little extra in case the patrons consume more than anticipated, say \$2
- Patrons holding tickets for this area of the venue pay \$22 [(4 x \$5) + \$2] for unlimited drinks during the event
- During the event, 500 drinks are served
- Venue's cost for those drinks is \$450
- Total collected by venue for liquor sales is \$2,200
- \$220 (10%) remitted to the state as liquor drink tax

Another issue of concern may be the "Designated areas" mentioned in Section 1 of the bill. It is intended by ABC that those areas be disclosed in the application for licensure. If the committee feels the bill needs clarification on that issue, the following options exist to help clarify, without changing the intent of the bill:

1. Amend New Section 1 of the bill, page 1, lines 14-17 as follows:
 - (2) offer for sale, sell and serve unlimited drinks for a fixed price in designated areas of the licensed premises, *which shall be identified in the license application;*
 - (3) offer for sale and sell all inclusive packages which include unlimited drinks in designated areas of the licensed premises, *which shall be identified in the license application;*
2. Amend New Section 1 of the bill, page 1, lines 14-17 as follows:
 - (2) offer for sale, sell and serve unlimited drinks for a fixed price in designated areas of the licensed premises, *which shall have controlled access and be separated from the general admissions areas by a permanent barrier*
 - (3) offer for sale and sell all inclusive packages which include unlimited drinks in designated areas of the licensed premises, *which shall be identified in the license application;*

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3. Amend New Section 1 of the bill, page 1, lines 14-17 as follows:
 - (2) offer for sale, sell and serve unlimited drinks for a fixed price in designated areas of the licensed premises, *which shall be identified in the license application, have controlled access and be separated from the general admissions areas by a permanent barrier*
 - (3) offer for sale and sell all inclusive packages which include unlimited drinks in designated areas of the licensed premises, *which shall be identified in the license application, have controlled access and be separated from the general admission areas by a permanent barrier;*

Thank you for favorably considering SB 299 for passage.

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