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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

March 21, 2011

The Honorable Steve Brunk, Chairperson
House Committee on Federal and State Affairs
Statehouse, Room 149-S
Topeka, Kansas 66612

Dear Representative Brunk:

SUBJECT: Fiscal Note for HB 2387 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2387 is respectfully submitted to your committee.

HB 2387 would limit the total number of retail liquor licenses issued from July 1, 2011 through December 31, 2016 to the total number issued in FY 2011. The bill would allow qualified applicants, including convenience and grocery stores, to be issued a retail liquor license beginning January 1, 2012. Beginning January 1, 2017, the bill would repeal current law that limits liquor store licensees to selling only alcoholic liquor on the licensed premises to allow the sale of any goods. On or after January 1, 2012, existing licenses could be transferred to a qualified individual upon approval of the Director of Alcoholic Beverage Control (ABC), but only within the same county. The transferee would be required to pay a transfer fee of $25 in addition to a $50 application fee to ABC. The bill includes a fee of $100 for a Class A license and $300 for a Class B license. The fee for a Class C license remains at the current amount of $500. The bill would allow distributors to establish minimum order quantities or minimum order prices, or both, for liquor distributed to a retailer.

The bill would allow a retailer’s license to be issued to a person who is not a Kansas resident. The bill would also allow corporations, partnerships, grantors, beneficiaries, and trustees of a trust to acquire licenses upon meeting the licensing requirements for natural persons under current law, but with no qualification requirements of the owners or officers. In addition, the bill would allow a corporation to acquire a license if the corporation procures a certificate from the Secretary of State, appoints a Kansas resident as its agent, and provides a duly appointed power of attorney.

HB 2387 would require a retailer to employ someone at least 21 years of age to sell, stock, or handle alcoholic liquor. The bill would create the Local Cereal Malt Beverages Sales Tax Fund and would require 3.0 percent of liquor enforcement remittances to be deposited in this fund each quarter and distributed to the cities and counties with a local sales tax based on a formula in the bill concerning weighted population averages. The bill would amend the Club and Drinking Establishment Act to allow the sale of Cereal Malt Beverages (CMB) at the same location as beer, wine, and spirits. Finally, the bill would repeal current law that prohibits a liquor store from having an inside entrance that connects with another place of business.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	($1,800,000)	--
Expenditure	--	$10,000	--	$45,000
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2387 would reduce Liquor Enforcement Tax revenue to the State General Fund by $1.8 million in FY 2012 from the provision requiring 3.0 percent of liquor enforcement remittances to be transferred to the Local Cereal Malt Beverages Sales Tax Fund. The Department estimates the bill would increase expenditures by $10,000 in FY 2011 and $45,000 in FY 2012. For FY 2011, the Department indicates that the additional expenditures of $10,000 would be used to hire temporary employees to process license transfer applications. For FY 2012, the Department indicates that the additional $45,000 in expenditures would include $20,000 to hire temporary employees to process license transfer applications and $25,000 to update the liquor tax processing system and make changes to forms and publications.

The Department of Revenue estimates the bill would increase expenditures by $1.5 million in FY 2016 due to the expiration of current law that prohibits the sale of alcoholic liquor on a licensed premise with the sale of other goods. The Department anticipates that liquor licenses will increase from 766 to 2,600 as many of the current 2,258 cereal malt beverages licensees move to a liquor license. The Department indicates that the $1.5 million increase in expenditures would be used to hire and equip ten field agent positions and eight administrative positions to manage the increased workload. The Department estimates ongoing annual costs of $1.7 million. The Department of Social and Rehabilitation Services reports that the bill could increase consumption of alcohol, requiring greater levels of service for substance abuse treatment. Any fiscal effect associated with HB 2387 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue