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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

March 9, 2017

The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Waymaster:

SUBJECT: Fiscal Note for HB 2362 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2362 is respectfully submitted to your committee.

Under current law, liquor licenses require a two-year initial application fee of \$50 and a renewal application fee of \$10 to defray the costs of processing applications. HB 2362 would reduce the initial application fee to \$30 and charge a new \$20 Alcoholic Beverage Control (ABC) modernization fee for both initial and renewal applications. The fee would be deposited in the new Alcoholic Beverage Control Modernization Fund and would be used for the replacement of work processes, computer hardware, software, and equipment associated with the Department of Revenue's licensing, permitting, enforcement, and case management.

The Department of Revenue estimates that HB 2362 would increase state revenues by \$32,000 in both FY 2018 and FY 2019. Of those totals, the State General Fund is estimated to decrease by \$12,000 in both FY 2018 and FY 2019, while the new Alcoholic Beverage Control Modernization Fund is estimated to receive new revenues of \$40,000 in both FY 2018 and FY 2019.

The Department of Revenue processes approximately 600 initial applications each year, which generates approximately \$30,000 for the State General Fund with the current \$50 initial application fee. Reducing the initial application fee to \$30 would reduce State General Fund revenues by approximately \$12,000. The Department indicates that there are currently 4,011 active liquor licenses and the new fee would raise approximately \$40,000 annually, or approximately \$80,000 over the two-year application cycle. The Department indicates the additional fee would be used to upgrade and maintain the ABC licensing system.

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The Department of Revenue indicates the bill would require \$1,740 in FY 2018 from the State General Fund, for administrative costs to implement the bill, including changes to ABC forms and publications and modifications to the Department's licensing computer system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue and outside contractors. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2362 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Lynn Robinson, Department of Revenue