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MEMORANDUM

To: Chairman Barker
Members of the House Committee on Federal and State Affairs

From: Jason B. Long, Senior Assistant Revisor

Date: February 14, 2017

Subject: HB 2141 – Drinking establishment licenses held by manufacturers.

House Bill No. 2141 (HB 2141) amends provisions of the Club and Drinking Establishment Act (C&DE Act) to allow a person who has a beneficial interest in the manufacture of alcoholic liquor to also obtain a drinking establishment license under the C&DE Act.

The Kansas Liquor Control Act (KLCA) regulates the manufacture, distribution and retail sale of alcoholic liquor in Kansas. This includes the licensure and regulation of large-scale breweries, farm wineries, microbreweries, microdistilleries, and retail liquor stores. K.S.A. 41-305, in particular, provides for the licensure of large-scale manufacturers of alcoholic liquor. Under the KLCA, manufacturer licensees are allowed to provide free samples of alcoholic liquor on the premises, but otherwise must sell their product to a licensed distributor. The distributor, in turn, will sell the product to licensed retailers, who then sell the product to the consumer.

The Club and Drinking Establishment Act regulates the sale of alcoholic liquor by the drink. This includes the licensure and regulation of bars, restaurants, hotels, private clubs, caterers, and large public venues. In addition to other statutes, K.S.A. 41-2642 provides for the licensure of drinking establishments. The term "drinking establishment" is somewhat of a catch-all phrase. While clubs, caterers, and public venues are all specifically defined, drinking establishments are places open to the general public where alcoholic liquor by the drink is sold.

Under current law, K.S.A. 41-2623(a)(4) prohibits any person with a beneficial interest in a manufacturer of alcoholic liquor from obtaining a drinking establishment license. HB 2141 would amend this section to add an exception for persons holding a manufacturer's licensed under the KLCA. The exception requires that no alcoholic liquor manufactured by the

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manufacturer be sold on the licensed premises of the drinking establishment, unless the it is purchased from a licensed distributor or retailer, which is a requirement of all drinking establishments.

HB 2141 also amends K.S.A. 41-2632, which generally prohibits a manufacturer from influencing the purchase of alcoholic liquor by a drinking establishment licensee. The bill adds an exception to this statute for the circumstance where the manufacturer holds a drinking establishment license.

If enacted HB 2141 would be effective on July 1, 2017.