

SESSION OF 2017

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR
SENATE BILL NO. 13**

As Recommended by House Committee on
Commerce, Labor and Economic Development

Brief*

House Sub. for SB 13 would amend the Kansas Liquor Control Act and the Kansas Cereal Malt Beverage Act pertaining to the sale of cereal malt beverage (CMB), beer, and other goods and services.

Starting on April 1, 2019, persons such as convenience stores, grocery stores, and drug stores who are licensed by the county to sell CMB—which is defined by law to mean any fermented but undistilled liquor brewed from malt, malt substitute, flavored malt beverage, or combination thereof, with an alcohol weight of 3.2 percent or less—would be allowed to sell beer containing not more than 6.0 percent alcohol by volume. Persons licensed to sell CMB would not be allowed to sell beer at a price less than cost, unless permitted by the Director of Alcohol Beverage Control (Director) when specific conditions are present, such as the discontinuance of an item or by court order.

Also starting on April 1, 2019, persons with a retailer's license to sell alcoholic liquor (beer, wine, and hard liquor) would be allowed to sell CMB. Liquor retailers would be allowed to sell other goods or services, provided the amount of nonalcoholic sales—excluding the sales of lottery tickets, cigarettes, and other tobacco products—would not exceed 20.0 percent of the retailers' total gross sales. Liquor retailers would continue to provide product for resale by bars,

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

restaurants, clubs, and caterers. The bill would repeal the prohibition placed on selling CMB next to alcoholic liquor.

In agreements between suppliers and distributors made prior to April 1, 2019, the terms “CMB” or “beer” would have the meanings specified in law as of the effective date of the bill. Distributors would be allowed to establish minimum quantities and dollar amounts for orders of CMB and alcoholic liquor.

The Director would have oversight over the sale of beer by persons with a CMB license. The Director would adopt rules and regulations to administer the bill by July 1, 2018. Ten years after the bill’s effective date of January 1, 2018, the Director would conduct a market impact study on the sale of beer by persons holding CMB licenses. The study would include changes to the number of CMB and alcohol liquor licenses issued, reasons for the changes, the effect the bill would have on state and local tax revenues, the impact on employment, and other factors the Director would determine to be pertinent. The Director would report the study findings to the Legislature during the 2029 Session.

Background

On April 4, the House Committee on Commerce, Labor and Economic Development deleted the contents of HB 2282, which would have expanded the sale of alcoholic products to other retail establishments, and inserted the contents of a substitute bill. The substitute bill subsequently was amended into SB 13 after that bill’s original contents, which revised the civil procedure code, were removed.

During the hearing on the substitute bill proposal, representatives of the Kansas Association of Responsible Liquor Laws and the Kansas Association of Beverage Retailers spoke in favor of the motion to amend, stating there is a likelihood 3.2 beer will no longer be supplied by brewers.

Proponents stated the bill would provide clarity to the liquor industry in Kansas for the next decade.

Representatives from the Kansas Wine and Spirits Wholesalers Association, Standard Beverage Association, and the Director provided neutral testimony, explaining technical issues contained in the substitute bill.

The fiscal impact was not known at the time the House Committee recommended the substitute bill be passed.