

SESSION OF 2017

SUPPLEMENTAL NOTE ON SENATE BILL NO. 65

As Amended by House Committee on Financial
Institutions and Pensions

Brief*

SB 65, as amended, would amend law relating to the disposition of alcoholic liquors pledged as collateral for a loan.

The bill would allow a creditor lawfully entitled to alcoholic liquors pledged as collateral for a loan, notwithstanding provisions of the Kansas Liquor Control Act, and with prior written authorization from the Director of the Alcoholic Beverage Control (ABC) Division of the Kansas Department of Revenue (KDOR), to take possession of the alcoholic liquors and conduct a sale of that collateral to a licensee possessing a valid license issued either pursuant to the Kansas Liquor Control Act or the Club and Drinking Establishment Act in order to satisfy any debt owed to the creditor. The bill would authorize the Director to require a detailed inventory, or any other necessary information, to ensure the safe storage, handling, and transfer of the alcoholic liquor. Finally, the bill would require the proceeds from any sale, including a sheriff's sale under continuing law, to go to the creditor in satisfaction of any debt owed, with the remaining proceeds returned to the debtor.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Kansas Bankers Association (KBA). In the Senate Committee

*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>

hearing, representatives of the KBA and the Kansas Beer Wholesalers Association testified in favor of the bill, generally stating the bill would provide creditors with a less costly and burdensome option of selling repossessed alcoholic liquor inventory. A representative of ABC provided neutral testimony and requested clarification for when a debtor has an outstanding balance on liquor taxes. No other testimony was provided.

In the House Committee on Financial Institutions and Pensions hearing, representatives of the KBA and the Kansas Wine and Spirits Wholesalers Association appeared in favor of the bill. The Kansas Wine and Spirits Wholesalers Association requested an amendment to expand and clarify the licensees who could purchase the liquors secured as collateral for a loan. A representative of ABC provided neutral testimony.

The House Committee amended the bill to expand those licensees who may request permission from the Director of ABC to take possession of the alcoholic liquors subject to the sale from a distributor or other licensee to licensees possessing either a valid license issued pursuant to the Kansas Liquor Control Act or the Club and Drinking Establishment Act.

According to the fiscal note prepared by the Division of the Budget, KDOR and the Kansas Association of Counties indicate enactment of the bill, as introduced, would have no fiscal effect. The Judiciary indicates enactment of the bill has the potential to reduce expenses from a decrease in the number of court cases in the system and decrease certain fee revenues; however, the number of cases that would be avoided by enactment of the bill and the amount of cost savings are unknown. Any fiscal effect associated with the bill is not reflected in *The FY 2018 Governor's Budget Report*.