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Laura Kelly, Governor

January 25, 2021

The Honorable Larry Alley, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 136-E
Topeka, Kansas 66612

Dear Senator Alley:

SUBJECT: Fiscal Note for SB 2 by Senator McGinn

In accordance with KSA 75-3715a, the following fiscal note concerning SB 2 is respectfully submitted to your committee.

SB 2 would amend existing law concerning premises where alcohol may be consumed to include an area for sales of wine or beer, or both, within boundaries that have been marked with a three-dimensional barrier to be established on the State Fairgrounds by the Kansas State Fair Board. Each vendor within this area would operate under a temporary permit issued by the Division of Alcohol Beverage Control for the sale of wine or beer, or both, during the days of the Kansas State Fair or as authorized by the Kansas State Fair Board. Each temporary permit holder could allow beer or wine, or both, purchased within the vendor's temporary permit premises to be removed from those premises onto the State Fairgrounds. The permit holder would be liable for all violations of laws governing the sale and consumption of alcohol on the permit holder's premises. The bill would also amend existing law to credit 30.0 percent of the taxes collected upon the gross receipts from the sale of alcohol on the Fairgrounds to the State General Fund (SGF) and the remainder to the State Fair Capital Improvements Fund (SFCIF).

The Kansas Department of Revenue (KDOR) reports that $31,545 was collected in liquor drink taxes on the Fairgrounds during calendar year 2019. Of this amount, 25.0 percent or $7,886 went to the SGF, 5.0 percent, or $1,577, went to the Community Alcoholism and Intoxication Programs Fund (CAIPF), and 70.0 percent, or $22,082, went to the Local Alcoholic Liquor Fund (LALF). KDOR estimates that enactment of SB 2 would result in an increase to revenues from liquor drink taxes collected at the Fairgrounds of about 20.0 percent for a total amount of $37,854 during calendar year 2021. Under the provisions of the bill, 30.0 percent, or $11,356, ($37,854 X .30) would go to the SGF, for an increase over the FY 2019 actual revenue to the fund of $3,470. The remainder, which would be deposited in the SFCIF, would amount to $26,498 ($37,854 X

.70), and the alcohol program funds would experience a decrease from the calendar year 2019 actual revenue of $23,659.

The Department of Revenue indicates that the agency would require $29,000 from the SGF in FY 2022 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, 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.

The State Fair Board bases its calendar year 2022 estimate of $26,498 in revenue to the SFCIF that would result from enactment of SB 2 on the fiscal note provided by the Department of Revenue. Any fiscal effect associated with SB 2 is not reflected in *The FY 2022 Governor's Budget Report*.

The Kansas Association of Counties indicates that enactment of SB 2 would affect only Reno County and the cities in Reno County, which would lose an estimated $23,659 from the CAIPF and the LALF, according to the KDOR estimate for FY 2022.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Kellen Liebsch, State Fair
Lynn Robinson, Department of Revenue
Jay Hall, Association of Counties