

February 7, 2012

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

Dear Senator Brungardt:

SUBJECT: Fiscal Note for SB 277 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 277 is respectfully submitted to your committee.

SB 277 would create a microdistillery license, which would allow a microdistillery to manufacture, store, and sell no more than 50,000 gallons of spirits in a license year. The licensee would be allowed to:

1. Serve free samples of its manufactured spirits on the licensed premises, if the premises are located in a county where the sale of alcoholic liquor is permitted by law in licensed drinking establishments;
2. Sell spirits and other alcoholic liquor for consumption on the licensed premises, if it is also licensed as a club or drinking establishment; and
3. Sell spirits and other alcoholic liquor for consumption on the unlicensed premises, if it is also licensed as a caterer.

The bill would also create a microdistillery packaging and warehousing facility license. Upon making application and paying a fee to the Department of Revenue, a microdistillery holding this licensee would be allowed to:

1. Transfer spirits it has manufactured from the licensed premises of the microdistillery to the licensed premises of the microdistillery packaging and warehousing facility, for the purpose of packaging or storage, or both;
2. Transfer spirits it has manufactured from the licensed premises of the microdistillery packaging and warehousing facility to the licensed premises of the microdistillery; or

3. Remove spirits it has manufactured from the licensed premises of the microdistillery packaging and warehousing facility for the purpose of delivery to a licensed spirits wholesaler.

A microdistillery would be allowed to sell spirits in the original unopened container to consumers for consumption off the licensed premises at any time between 6 a.m. and 12 midnight Monday through Saturday, and between 11 a.m. and 7 p.m. on Sunday. The Department of Revenue would be allowed to issue a permit to the Kansas State Fair or any bona fide group of distillers to import small quantities of spirits into the state. The spirits would be required to be used only for bona fide educational and scientific tasting programs and would be prohibited from being resold. The spirits would not be subject to the gallonage tax and the permit would identify the brand and type of spirit to be imported; the quantity to be imported; the tasting programs for which the spirit is to be used; and the times and locations of the programs. The Department of Revenue would be required to adopt rules and regulations governing the importation of spirits and the conduct of tasting programs for the imported spirits.

A microdistillery would be prohibited from:

1. Employing any person under 18 years of age in connection with the manufacture, sale, or serving of any alcoholic liquor;
2. Permitting any employee of the licensee who is under 21 years of age to work on the licensed premises at any time when unsupervised by an employee who is at least 21 years of age;
3. Employing any person under 21 years of age in connection with mixing or dispensing alcoholic liquor; or
4. Employing any person in connection with the manufacture or sale of alcoholic liquor if the person has been convicted of a felony.

The fee for a microdistillery license would be \$500 and the fee for a microdistillery packaging and warehousing facility license would be \$200. If a microdistillery licensee is convicted of a violation of the Kansas Liquor Control Act, the Department of Revenue may revoke the licensee's license and all fees paid for the license.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$14,460
FTE Pos.	--	--	--	--

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The Department of Revenue estimates that SB 277 would increase fee fund expenditures by \$14,460 in FY 2013 to update computer systems, but did not provide an estimate of the bill's effect on state revenues.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue