

February 3, 2011

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 54 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 54 is respectfully submitted to your committee.

SB 54 would add two new retail liquor licenses to the Kansas Liquor Control Act effective January 1, 2012, and establish the criteria for each license. The Class A license would allow retailers to sell beer only and the Class B license would allow retailers to sell beer and wine. Class C licenses would remain the same as current liquor store licenses that are designated as Class C licenses. Existing Class C licenses could be transferred to a qualified individual upon approval of the Director of Alcoholic Beverage Control (ABC), but only within the same county. The transferee would be required to pay a transfer fee of \$25 to ABC. The bill includes a fee of \$100 for a Class A license and \$300 for a Class B license. The fee for a Class C license remains at the current amount of \$500. The bill would limit the total number of Class C licenses issued in FY 2012 and through January 1, 2015 to the total number issued in FY 2011.

The bill would allow a retailer's license to be issued to a person who is not a Kansas resident. The bill would also allow corporations, partnerships, grantors, beneficiaries, and trustees of a trust to acquire licenses without the qualifications of submitting to a national criminal history record check; providing a legible set of fingerprints; disclosing any substantial financial interest in any organization that receives proceeds from the sale of alcoholic beverages; and submitting a release allowing the Director of ABC to have access to review financial records to verify ownership and ensure the applicant is not an agent of another person. In addition, the bill would allow a corporation to acquire a license if the corporation procures a certificate from the Secretary of State, appoints a Kansas resident as its agent, and provides a duly appointed power of attorney.

SB 54 would establish the bond amounts for applicants of retailer's licenses at \$500 for a Class A, \$1,000 for a Class B, and \$2,000 for a Class C license. The bill would allow a retailer to employ someone at least 18 years of age to sell beer and wine. The bill would create the Local

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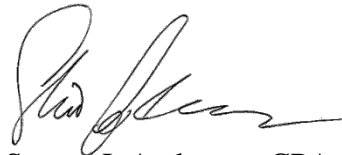
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Cereal Malt Beverages Sales Tax Fund and would require 3.0 percent of liquor enforcement remittances to be deposited into this fund each quarter and distributed to the cities and counties with a local sales tax based on the formula in the bill. The bill would amend the Club and Drinking Establishment Act to allow the sale of Cereal Malt Beverages (CMB) at the same location as beer, wine, and spirits. The bill would repeal current law that limits licensees to selling only alcoholic liquor on the licensed premises to allow the sale of any goods. Finally, the bill would repeal current law that prohibits a liquor store from having an inside entrance that connects with another place of business.

The Department of Revenue estimates that SB 54 would decrease revenue to the State Highway Fund by up to \$250,000 in FY 2012 and up to \$500,000 in FY 2013 as state sales tax revenue shifts from CMB to beer. The Department indicates that the shift from state sales tax to the liquor enforcement tax from the sale of packaged beer would increase revenue to the State General Fund, but did not provide an estimate. The Department also indicates that there would be an increase in collections from license fees, but could not provide an estimate as the increase depends on which businesses switch from CMB to beer. In addition, depositing 3.0 percent of liquor enforcement receipts in the new local tax fund would offset the increase in revenue to the State General Fund.

The Department estimates that SB 54 would increase expenditures by \$1,654,564 in FY 2012. These costs include \$49,500 for programming the tax accounting system; \$213,706 in one-time costs for form revisions, employee workstations, computers, office equipment, and vehicles; and \$1,391,358 for 20.00 FTE positions, including 12.00 Enforcement Agents, 6.00 Customer Service Representatives, 1.00 Attorney, and 1.00 Legal Assistant. Any fiscal effect associated with SB 54 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Steve Neske, Revenue