

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 2

As Amended by House Committee on Federal
and State Affairs

Brief*

SB 2, as amended, would amend law related to the consumption of alcohol on the grounds of the Kansas State Fair (State Fair), temporary permits issued for any location in the state, and the collection of associated liquor taxes.

State Fair Alcoholic Liquor Consumption

Under current law, persons may not consume alcoholic liquor on the State Fairgrounds unless the consumption falls within certain exceptions, including:

- Domestic wine and beer or wine imported under a farm winery license and consumed for purposes of judging competitions;
- During certain permitted events of 75 people or less that are not a part of the annual State Fair event; or
- During the State Fair event, in certain premises subject to a temporary permit that authorizes the sale and service of wine or beer.

The bill would amend these provisions to specify that alcoholic liquor could be consumed on the State Fairgrounds within boundaries that have been marked with a three-dimensional barrier if:

*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>

- It is domestic beer or wine and is consumed only for purposes of judging competitions;
- It is during certain permitted events of 75 people or less that are not a part of the annual State Fair event; or
- It is alcoholic liquor that is sold during the State Fair event, or as authorized by the Kansas State Fair Board (Board), by the holder of a temporary permit in accordance with the provisions of the bill.

Temporary Permit—State Fair

The bill would amend law to allow issuance of a temporary permit for the sale of alcoholic liquor on the State Fairgrounds during the State Fair event, or as authorized by the Board, provided the Board has authorized such consumption and possession of alcoholic liquor.

The bill would require any temporary permit application to specify the premises within the State Fairgrounds where wine or beer could be consumed, including a diagram of the premises covered by the permit. The bill would require the diagram to match the entirety of the premises as leased from the Board. Additionally, the bill would require the boundaries of the State Fairgrounds to be clearly marked by signs, a posted map, or other means that would identify the area in which alcoholic liquor could be possessed or consumed.

The bill would also provide that each temporary permit holder would be liable for violations that occur in the temporary premises, but permit holders could also allow alcoholic liquor to be removed from the temporary premises and onto the State Fairgrounds.

The bill would further make conforming changes to existing law to allow the Director of Alcoholic Beverage Control, Kansas Department of Revenue (ABC Director) to

issue temporary permits. Currently, the ABC Director may only issue temporary permits for consumption of wine or beer, or both, on the State Fairgrounds.

Temporary Permit—Statewide

The bill would prohibit a city, county, or township from charging more than \$25 for a temporary permit for each permitted day, and such permit fee would be nonrefundable.

The bill also would expand the maximum number of temporary permits an applicant could be issued in a calendar year from 4 to 12 and require all liquor drink taxes due from a previous temporary permit to be paid before an applicant could be approved for another temporary permit.

Distribution of Liquor Drink Taxes

Under current law, 25 percent of remitted liquor drink taxes are distributed to the State General Fund (SGF) and 5 percent of remitted liquor drink taxes are distributed to the Community Alcoholism and Intoxication Programs Fund (CAIPF), with the remaining taxes distributed to the Local Alcoholic Liquor Fund (LALF).

The bill would require 30 percent of the liquor drink taxes collected on the State Fairgrounds to be remitted to the SGF and the remaining taxes to be distributed to the State Fair Capital Improvements Fund (SFCIF). The bill would further specify that if the State Fair event were to be located outside the city limits of Hutchinson, the distribution provisions would expire.

Technical and Conforming Amendments

The bill would make technical amendments and conforming amendments to ensure consistency in statutory phrasing and remove outdated references to a previous Statutory Supplement.

Background

The bill was prefiled for introduction by Senator McGinn.

[*Note:* Provisions of SB 2 are the same as those for 2020 SB 408, as amended by the Senate Committee on Federal and State Affairs.]

Senate Committee on Federal and State Affairs

In the Senate Committee hearing on February 25, 2021, the Interim General Manager for the State Fair provided **proponent** testimony. The proponent indicated enactment of the bill could result in increased sales of alcohol, and the increased sales would add revenue to the SGF and the SFCIF. The proponent further indicated the bill could enhance the experience of fairgoers, and similar legislation has been implemented successfully in other states without increasing cases of underage consumption of alcohol.

No other testimony was provided.

House Committee on Federal and State Affairs

In the House Committee hearing on February 9, 2022, the General Manager for the State Fair provided **proponent** testimony, indicating that alcohol consumption is an important entertainment component for many people and would enhance the State Fair experience.

A representative of the Wine Institute provided written-proponent testimony. No other testimony was provided.

The House Committee amended the bill to:

- Establish maximum temporary permit fees for cities, counties, and townships;
- Expand the maximum number of temporary permits issuable to a permittee in a calendar year;
- Allow for the sale of alcoholic liquor at the State Fair, rather than solely beer or wine; and
- Make technical amendments.

Fiscal Information

According to the January 25, 2021, fiscal note prepared by the Division of the Budget on the bill, as introduced, the Kansas Department of Revenue (KDOR) estimates enactment of the bill would result in an increase in revenue from liquor drink taxes at the State Fairgrounds of about 20 percent above FY 2019 actual revenue, for a total revenue of \$37,854 during calendar year 2021. Of this amount, 30 percent, or \$11,356, would go to the SGF, for an increase of \$3,470 above the FY 2019 actual amount transferred. The remaining \$26,498 would be deposited in the SFCIF. The CAIPF and LALF would experience a decrease from calendar year 2019 actual revenue of \$23,659.

KDOR indicates it would require \$29,000 from the SGF for FY 2022 to implement the bill and modify the automated tax system. The required programming for the bill by itself would be performed by existing KDOR staff. In addition, if the combined effect of implementing the bill and other enacted legislation exceeds KDOR's programming resources or, if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond KDOR's current budget may be required.

The State Fair bases its estimate for revenue resulting from enactment of the bill on the fiscal note provided by KDOR. The Kansas Association of Counties indicates enactment of the bill 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.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2022 Governor's Budget Report*.

Kansas State Fair; drink taxes; liquor laws; consumption; premises; permit