
Nick Jordan, Secretary
Debbi Beavers, Interim Director

Sam Brownback, Governor

MEMORANDUM

TO: Representative Mark Hutton, Chairman, House Committee on Commerce, Labor and Economic Development

FROM: Debbi Beavers, Interim Director of Kansas Alcoholic Beverage Control

DATE: 10 March 2016

SUBJECT: Neutral Testimony on House Bill 2718

Good afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to testify as neutral on this bill. ABC has some technical concerns and requests for clarification.

As written, this bill requires notification at least 30 days prior to ceasing the manufacture of a **brand** registered in Kansas. It is not likely that the brand will be discontinued but rather the 3.2% alcohol by weight formula of the brand, or product, would be discontinued. This should be clarified.

New Section 1 refers to “any brand.” ABC requests clarification if ceasing the manufacture of one brand that has or will decrease its CMB tax by 25% or more would be enough for the Governor to declare CMB is no longer available in sufficient quantity in Kansas for off-premise sale.

After the Governor has declared an insufficient supply of CMB, a convenience store or grocery store CMB off-premise retailer could apply to the director of ABC for a newly created beer retailer license. A beer retailer may sell beer or CMB in the original package and not for consumption on the licensed premises.

A retail liquor store would be authorized to sell CMB, which under current law they cannot. Section 6 authorizes CMB and beer to be sold together, but not with spirits or wine. This would require a retail liquor store who chooses to sell CMB to have a separate room to sell and dispense CMB.

No provision has been provided for a license bond. ABC would request K.S.A. 41-317 be amended to include a requirement for the applicant for a beer retailer license to post a license bond. For reference, a retail liquor store bond is \$2,000.

There are currently 1,954 CMB off-premise retailer licensees that would likely change over to the beer retailers license. Additionally, if CMB ceases to exist or products are extremely limited, CMB on-premise retailers would either apply for a drinking establishment license, cease alcohol sales or close their business. Of the 1485 CMB on-premise retailers, ABC estimates that 50% of these would apply for a drinking establishment license.

There are currently 3953 active liquor licenses. With the addition of potentially 2696 licenses, ABC would be unable to efficiently process this volume of licenses within the statutory time limit of 30 days to process a liquor license application. To remedy this situation, ABC would need to phase in the beer retailer applications over a 24 month period. During the transition period, some provision should be considered to allow the sale of beer

This bill goes into effect after the Governor's declaration and publication in the statute book. ABC also needs time to hire and train staff to issue licenses and enforce the liquor laws.

Thank you Mr. Chairman for the opportunity to testify on this bill.