House Commerce Committee

Next week – tentatively work on Thursday and Friday. Working hard to have industry representatives available on those days and there may be some problems. So stay tuned.

Neutral Testimony –

Philip Bradley, KLBA – think I killed your crowd. No one came to see me speak today.

Hotels, restaurants, caterers, etc.

Although you have been told Kansas is a three tier state, it’s not. It is a four tier state. You in your infinite wisdom

Whoever comes out of this battle with a liquor license, we have to buy from them and we don’t want them to be mad at us.

It takes an extraordinary step – the liquor licensee has to get a federal wholesalers license

There are enough out there to satisfy our needs at this moment, but if these licenses change over and the new holders don’t get that license, we won’t have anywhere to get our supply.

It won’t be a big deal in the big towns, but in the small towns, there may be only one store

I know you can’t make them do it, but we would like assurance that they will do it.

This bill creates a new Class A license, prohibits their sale for re-sale in any form. If when all the dust settles, the only liquor license in town is the beer license, then we would like to be able to buy from them.

The section that speaks to tastings doesn’t include the Craft Brewers Guild – and I don’t think the bill allows tastings by the craft brewers guild.

Questions -
Tietze – Why wouldn’t they get the federal wholesalers license.

You take nothing for granted and you assume nothing. We would hope that they would, but I need to bring it to your attention that it may be a problem.

Sarah Hartzeg – Kansas Health Institute analyst, community health improvement projects

Multi-year grant from Kansas Health Foundation. Do not take positions on policy, but bring information to you.

In 2014, partnered with KU School of Medicine to evaluate the public health effects of allowing grocery and convenience stores to hold these licenses.

Health Impact Assessment – measures health impacts and recommend strategies for potential health benefits

In 2014, HB 2556 set a cap that expired. HB 2200 sets a cap that does not expire so the density of outlets does not change. Majority of the 2014 study was based on the increased density of alcohol outlets could lead to increases in consumption and access to youth. Could also increase incidences of drunk driving and violence.

HB 2200 addresses this issue by permanent cap. Density concerns may not apply. However, many of the findings relate to the youth impact and theft. Increasing alcohol availability may increase incidence of access to youth, crime, sexual activity and risk of theft.

Depends on the number who transfer to grocery stores and the number of convenience stores who apply for the new class A license. However, having alcohol in an environment with

To mitigate, HIA recommended regular compliance checks. Increasing

Refrain from displays at the entrance, refrain from displaying with soda and chips and other popular products with use, expand use of the fund to prevent underage drinking.

Questions

Ruiz – was this report fully compiled at KHI? Increased risks are just based on assumption or research.

Based on various existing research studies and areas of the state where increased consumption is associated with increased rates of drunk driving, crime, sexually transmitted diseases.

We don’t judge what is high or isn’t high.

Questions are from the Communities that Care survey. Looked at different measures of consumption – lifetime consumption. Consumption within the last 30 days. Binge drinking – two weeks = more than five drinks in a row. We didn’t say that 30% is high or low, just used the continuum to associate in reference to full data.

Billinger – last year the bill didn’t have a permanent cap – were you against the bill?

We didn’t oppose. We were neutral, but did recommend mitigating policies.

Dannebohm – chart on summary of health impacts. Vulnerable population seems like youth and elderly with exception of consumption. Explain the elderly here?

DUI arrests, alcohol related traffic mortality, alcohol related traffic accidents.

Elderly were particularly susceptible to traffic mortality

There were some errors on this chart then – you said that?

I do apologize for the error where elderly were included under the alcohol related traffic accidents for youth. That one is an error.

Eric Smith, League of Kansas Municipalities – we have taken a neutral position on this bill as we have in the past. Our primary concern would be the anticipation that if a bill would pass, the CMB sales are going to go away. Under current structure, CMB local sales tax income comes to every municipalities

Loss of income and reduction in that tax base. Appreciate the language in the bill as it is now, but please keep it as it is as an automatic transfer and not a part of the appropriations process.

Question

Frownfelter – you think there might be a problem with that 3 percent coming up missing down the road?

If it falls into the appropriations

Does CMB money go to cities or counties? Both

Is it into the general fund or is it used for something specific? It is just part of the sales tax. We don’t know how much of the sales tax is related to CMB.

Couture-Lovelady- listening to this triggered another issue in my mind. Seems like local festivals are usually CMB. Is there a statute that requires that or why is that? Is that because the tax goes back to the local government?

I don’t know why. There is a CMB special permit available. May be the process of getting that license was easier for getting the CMB license. Probably more due to the vendor and the people putting on the event preferring that license. Don’t expect it has much to do with the sales tax portion.

Reynoldson –

Removes prohibition on corporations holding liquor licenses this year, rather than 2018. Language that allows corporations to hold liquor licenses begins this year, rather than 2018. Language allowing a person to hold more than one license will being this year as well.

Oppose Sec. 14 language – exempting stockholder holding up to 15% (actually 25%) from the prohibition of holding a license if they have a disqualifying factor such as being a convicted felon, having a license revoked,

Puts beneficial interest at 25% - could conceivably have four felons owning a liquor license.

Has been a priority to keep the criminal element out of the liquor industry – please insert the language from the on-premise statute setting the requirement at 5%.

Hutton – what is the threshold now for a liquor store owner?

0%. Every owner or partial owner of an LLC must be eligible.

Frownfelter – have you gone through this bill now and does it really jive with all of the current rules and regulation we have now?

We have tried to estimate the impact in the industry as well as the agency and we try to predict as accurately as we can, but it is just an estimate. In terms of our ability to regulate, we didn’t see any fatal element

Although those gray areas could be filled in. The more specific you can get in establishing the rules for this – would help to clear

Frownfelter – more strong beer – less local authority and policing. From 2011, had an old note that this could cost about $4 million.

Our fiscal note presumes that you want the same level of enforcement that we have with our current licensees.

First year $1.3 million, 9 officers, 2 licensing, 1 administrative asst.

Tried to get as close as we could.

Couture-Lovelady – did you follow my earlier question?

Typically, communities follow the customs and traditions of before. There could be some who don’t want to put up with ABC. In the last few years, have changed the laws to make it easier to get permits for events, festivals and such. We have seen a marked increase in the numbers of temporary permits we’ve issued for festivals, events. Have no data if number of CMB events have gone down.

Brunk – want to get an idea of the question of dormant licenses?
In the bill, it said a grocery store could get a license by transferring a license. Could they access any licenses that had been relinquished?

Good question. Beginning this year, July 1,

We do have about 75 businesses who go out of business each year. Some are involuntary cancellation, maybe a death, or revoked. We would envision that a license that was relinquished this way would reduce the number of licenses and we would issue a new license. Don’t know how we would do that. Maybe we would promulgate a rule for “first in, first out”. But that has problems as well. We wouldn’t be able to accept them until July 1 of this year. If we did that – would put the list on the website.

So, if the new licensee was a grocery store, would they be able to apply for one of the licenses and not have to buy one of the current licenses?

Correct, that is how we read the bill. We don’t have a dormancy reg now. One of the things that hasn’t been talked about yet, because we don’t require that a licensee operate live store, there is potential to acquire a license with a licensed premises with only the desire that someone would come and buy it from them.

How much would that cost?

Would cost $500.

So they could get a $500 license without buying a license?

Yes.

Would they be able to get a $500 license and just hold it until July 1, 2018?

Yes. And because it does allow multiple licenses, they could buy multiple licenses and hold them.

If they are available and they hold the licenses – in the next few years, there could be 200 licenses available for $500

Under the way the bill is now, it doesn’t really create the high quality demand for a license, it creates a demand for the $500 dormant licenses.

It was also suggested yesterday that the rules and regs should be put in place in the first year.

Yes, we could get our temporary regs in place, but it has been a challenge to get permanent rules and regs in place within a reasonable time.

I’ve heard that. How long does it take?

As long as the temporary regs can stay in place, I think we would be okay.

Tastings in the grocery stores – are they allowed? Yes.

Tastings in convenience stores – are they allowed? Yes.

Billinger – so a corporation could get a license immediately.

Yes.

I have a 30 year old veteran friend – how long does he have to wait?

4 years.

Claeys – if we currently allowed stores to have more than one store, would that require additional enforcement?

How we would regulate those wouldn’t change. The only difference would be that from the ownership side is concerned, if one license was revoked, all would be revoked.

Dannebohm – is there any offsetting revenue in this bill.

Would your expenses be offset?

There isn’t anything in the bill that would appropriate any new funds for ABC.

Corbet – whether the number is $1.3 million or whatever?

That’s correct. Currently, the fees that we collect and fines and taxes are not given to the ABC.

Corbet – what is the shortfall?

In terms of the additional resources we requested - $1.3 million for first full fiscal year FY 19 / and small request for FY 18?

Hutton - Balance of your fee fund?

None.

Taxes go to SGF, but you keep your fee fund, right?

Hutton – why is your fiscal note higher if the same number of licenses are out there?

1500 new beer licenses.

You don’t anticipate the fees from those new license will offset that?

No, I don’t think it would cover that.

Sales of 3.2 beer now – local sales tax – so, strong beer will bring in enforcement tax which may have an increase, but then we send that back.

Couture-Lovelady – but the fiscal note doesn’t acknowledge that.

Brunk – an 18 year old is able to handle the sale at the grocery store, but could they handle the tastings?

Haven’t looked at that, off the cuff I would say no, but I haven’t looked at that. On-premise side, to dispense it is 21 year old, but we would want the same concept to apply.

So, on the rules and regs side, you would make that rule?

I would think so.

Hutton – if they purchased the store, would the buyer be able to buy the inventory

Yes.

Is that always available?

If the owner owes liquor taxes, we would hold the inventory and sell it.

Any questions from prior two days?