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## MEMORANDUM

**DATE:** February 20, 2025

**TO:** Rep. Tom Kessler, Chairman, House Federal and State Affairs Committee

**FROM:** Debbi Beavers, Director, Alcoholic Beverage Control Division. Email: [debbi.beavers@ks.gov](mailto:debbi.beavers@ks.gov); Desk Phone 785-368-6290; Cell 785-260-1008.

**SUBJECT:** Proponent Testimony on HB 2376

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Chairman Kessler and Members of the Committee:

Thank you for the opportunity to testify as a proponent. The bill makes the following amendments:

SECTION 1. Amends the definition statute in the Kansas Liquor Control Act to include a definition of "Licensee."

SECTION 2. Amends K.S.A. 41-104 to include cereal malt beverage as a product for which a license is required to sell, manufacture, etc.

SECTION 3. Amends K.S.A. 41-304 to create two specific license types: on-premise cereal malt beverage retailer, and off-premise cereal malt beverage retailer, and specifies that these license types are issued by the ABC director.

SECTION 4. Amends the definition statute in the Kansas Club and Drinking Establishment Act to include a definition of "Licensee." Also clarifies that "Licensee" shall include holders of a temporary permit.

SECTION 5. Amends the definition statute in the Kansas Cereal Malt Beverage Act to include a definition of "Licensee."

SECTION 6. Amends K.S.A. 41-2702 to authorize the ABC Director to issue cereal malt beverage retailer licenses. Changes the license fee to \$50 for on-premises CMB retailer or off-premises CMB retailer licenses, and \$100 for "railway" cereal malt beverage retailer licenses, which is an on-premise retailer located on a railway car. Also provides for local

governments to require a local cereal malt beverage license if they wish. If a local license is required, a business must have both a state and local license before operating.

SECTION 7. Amends K.S.A. 41-2703 to clarify ABC director's authority to issue retailer licenses, including cereal malt beverage special event permits.

SECTION 8. Adds language similar to existing language for other state-issued liquor licenses clarifying that the right of immediate entry and inspection by law enforcement is a condition of licensure.

SECTIONS 9 through 15. Makes necessary amendments to existing cereal malt beverage statutes clarifying ABC authority to issue licenses and regulate licensee actions.

The effective date of the bill is July 1, 2025.

To provide brief context, in 2017 the Legislature passed a bill authorizing CMB retailers to sell beer containing up to 6% alcohol by volume. This bill went into effect in 2019. As a result, Nearly 3,000 businesses such as gas stations, grocery stores and taverns now sell “full strength” beer, which by definition is classified as “alcoholic liquor,” to be regulated by ABC.

However, under the current framework, ABC does not issue CMB licenses. They are issued by the local city or county government where the business is located. Because of this, ABC has found it increasingly difficult to know when these licenses are issued to track and monitor them in a timely fashion.

Currently, the applicant applies to the local city or county for a CMB retailer license and pays the license fee of \$25-\$200 that is set in statute. The ABC gives the city or county the State CMB Stamp in advance to expedite the process and they collect the \$25 for the State CMB Stamp to the city or county. By the 25<sup>th</sup> of the following month, the city or county files a report with the ABC and sends copies of the CMB retailer applications along with \$25 for each State CMB Stamp that was issued. In the best-case scenario, the ABC knows when a license was issued two or three weeks after. In the worst-case scenario, over a year. Tracking is quite difficult because localities only report when a CMB retailer license is issued, leading to inconsistency and confusion.

To remedy this, the ABC initiated discussions with the Kansas Association of Counties and the League of Kansas Municipalities who discussed the proposal with their members. ABC’s goal was to make as few changes as possible while preserving the fee income that the city or county

may have budgeted for and allowing them to maintain local control. Taxes do not change, the only significant change involves who issues the license. This allows ABC to more efficiently track and regulate these licenses using its already-existing procedures that apply to all *other* liquor licensees.

With this bill, applicants would apply to the ABC for a CMB retailer's license and pay \$50, which is the minimum amount in current law, (\$25 for the license fee and \$25 for the State CMB Stamp fee). Applying to the ABC would take some of the burden from the city or county since they would no longer have to process applications and conduct background checks to ensure the applicants are qualified to hold a CMB retailer license.

To help maintain local control, the bill also provides for a local license in the amount of \$25-200, which is the same they are collecting now. This local license would be optional, but if the city or county requires the local license, the CMB retailer must have both licenses to operate. If the city or county refuses to issue the local license, suspends or revokes the local license, the CMB retailer cannot operate.

To effectively regulate the sale of beer by a CMB retailer, the ABC must know where licenses are located. Moreover, the delayed reporting we currently experience also allows some CMB retailers to avoid random controlled buys for underage sales checks because they are not in our selection pool, which creates an unfair burden on the licensees who *have* been reported in a timely manner.

The ABC does not need any licensing staff to implement this bill as they are already entering the information from the city or county. The long-term impact to the ABC is unknown. It is possible that ABC may need additional staff at a later date.

Thank you, Mr. Chairman.