

Approved: 03/27/2012

(Date)

MINUTES OF THE HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Anthony Brown at 1:40 PM on March 8, 2012, in Room 785 of Docking State Office Building.

All members were present except:

Representative Stan Frownfelter	Excused
Representative Louis Ruiz	Excused

Committee staff present:

Chuck Reimer, Revisor
Ken Wilke, Revisor
Reed Holwegner, Research
Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Others attending:

See attached list.

Representative Marvin Kleeb, the Chairperson of the Subcommittee on **HB 2532—Creating classes of licenses to sell alcoholic beverages at retail; fees, term and eligibility**, explained that since the Subcommittee meeting had finished minutes before, there was no written report available at this time. However, it is to be recommended that **HB 2532** be passed favorably by the Committee as a substitute bill.

Representative Kleeb's verbal summary included the following highlights:

- The actual date when the new regulations would take effect would be 2015;
- The Division of Alcohol Beverage Control (ABC) will create rules and regulations in July;
- As of June 2012, liquor licenses will be frozen, and they can be sold from 2015 to 2020;
- After that time, ABC will begin to issue liquor licenses to groceries and convenience stores;
- For transfers after 2015, the selling entity will have to be within a city limit. Individual entities cannot go outside a city to buy the license;
- Grocery stores with these licenses will be able to sell beer and wine but not spirits;
- Licenses cannot be purchased and kept dormant;
- The license price is based on 15 cents per square foot; and
- Liquor stores will be able to sell other items beginning in 2015.

Representative Mike Slattery added that beginning in 2020, ABC can begin to issue new licenses but only for grocery stores to sell beer and wine. For transfer of licenses, if a grocery store desires, between 2015 and 2020 it can do so from an existing liquor store but it must be within the city where the grocery store is located.

Chairperson Brown asked if licenses bought by stores before 2020 would actually be buying a full liquor

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license that would revert into a beer and wine license.

Representative Kleeb said stores license fees are charged on the whole square footage of the stores, not just the liquor store portion. Licenses would be capped at \$500 until 2015, and after that the 15 cents per square foot is limited to the warehousing and liquor part of the store. If we were to charge the fee on the whole store we would be taxing space without alcohol.

When asked for clarification, Mr. Wilke said it could be possible to have two stores owned by the same entity but it would be difficult. Also, liquor stores will continue to be the only ones who can service taverns and restaurants.

Representative Les Osterman asked if one of the larger grocers like Dillon's had a major infraction, would it affect one store or all the stores.

Representative Kleeb said each site will have its own license, and the same rules would apply as independent stores follow. A person will not have to be a citizen to obtain a license.

When asked for clarification, Mr. Wilke said the Subcommittee preserved the situation on the individual stores, and there is currently a statute that pertains to who can own a license and the vetting process for a license includes questions pertaining to an individual. As for corporations, rules will be set up with a specific license for a specific location.

If a large chain grocery store was in violation of the regulations, the liquor store portion of the store only would have to shut down.

Representative Reynaldo Mesa asked what happens to a liquor store's inventory when a license is purchased and what the time frame is. Also he asked if they be allowed to sell kegs.

Representative Kleeb said the inventory would be negotiated and possibly passed on to the buyer. A keg would be a part of a beer arrangement with the retailer.

Representative Joseph Scapa asked if a license is bought with inventory what is done with the liquor inventory. He also wanted to know what the age requirements would be for clerks in grocery stores.

Representative Kleeb said they could have a liquidation sale, but the liquor could not be sold below cost. The age to handle beer and wine in grocery stores currently would be 18.

Representative Scott Schwab observed the inconsistency in public policy regarding minimum the age to sell alcohol versus the age for persons to be in the military.

Chairperson Brown said all these issues can be addressed when the substitute bill is worked next Tuesday.

Representative Peck asked if ABC could issue unlimited liquor licenses in 2020.

Representative Kleeb said it will return to what it is today, and the free market will determine the need. There tends to be one license for 3,500 people.

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Representative Peck asked if in 2015 when liquor stores start selling other goods, can they also sell services too. He gave the example of Wal-Mart who would be able to sell alcohol and provide the service of tire repair.

Representative Kleeb said it could only be goods and no services. The liquor would have to be in a segregated location, but there would not have to be a wall between.

Representative Peck asked if in 2020 there will be two different rules.

Representative Slattery said under the proposed Substitute for HB 2532, there will be a Class A license and a Class B License. Class A will be everything and Class B will be beer and wine only. A grocery store and convenience stores will never be allowed to sell spirits so can never be a Class A. Also, the grocery section of stores will have to be in one separate area not necessarily walled off.

Representative Peck asked if they have a Class A license could they sell other goods.

Representative Kleeb said they could sell goods but not services.

Representative Peck asked if a business with a Class B license, which could sell only beer and wine, could also sell goods and services.

Representative Kleeb answered yes.

Representative Peck said if it would be a problem if customers later decided to not buy alcoholic products and left them in other parts of the store.

Representative Kleeb said consumers would be able to carry alcohol and beer to other areas of the store, and he doubted if that would be an issue for the store.

Representative Gene Suellentrop asked if the 2015 date effectively moves the state to a single strength beer.

Representative Kleeb said no and there may also still be dry counties.

Representative Suellentrop asked if under a liquor license, they are limited to a percentage of sales of other items to liquor.

When asked for clarification, Mr. Wilke said they did not deal with that issue.

Representative Slattery said they would all be defined by the North American Industry Classification System (NAICS) code.

Chairperson Brown asked if drug stores as well as convenience stores would be able to sell beer and wine.

When asked for clarification, Mr. Wilke said the Subcommittee limited the definition of grocery stores

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and convenience stores by NAICS code.

Representative Kleeb said a draft substitute bill for **HB 2532** will be finished and distributed to all committee members soon.

Chairperson Brown adjourned the meeting at 3:00 PM.