

February 26, 2020

The Honorable Bud Estes, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 136-E
Topeka, Kansas 66612

Dear Senator Estes:

SUBJECT: Fiscal Note for SB 408 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 408 is respectfully submitted to your committee.

SB 408 would amend existing law concerning premises where alcohol may be consumed to include a common consumption area for sales of wine or beer or both, to be established on the State Fairgrounds by the Kansas State Fair Board. Vendors within this area would operate under temporary permits issued by the Division of Alcohol Beverage Control. Each temporary permit holder would be liable for all violations of laws governing the sale and consumption of alcohol on the permit holder's premises. The bill would also amend existing law to credit 16.154 percent of the taxes collected upon the gross receipts from the sale of alcohol on the Fairgrounds to the State General Fund (SGF) and the remainder to the State Fair Capital Improvements Fund (SFCIF).

The Kansas Department of Revenue (KDOR) reports that \$31,545 was collected in liquor drink taxes on the Fairgrounds during calendar year 2019. Of this amount, 25.0 percent or \$7,886 went to the SGF, 5.0 percent, or \$1,577, to the Community Alcoholism and Intoxication Programs Fund, and 70.0 percent, or \$22,082, to the Local Alcoholic Liquor Fund (LALF). KDOR estimates that enactment of SB 408 would result in an increase to revenues from liquor drink taxes at the Fairgrounds of about 20.0 percent for a total amount of \$37,854 during the 2020 State Fair. Of this amount, 16.154 percent, or \$6,115, ($\$37,854 \times .16154$) would go to the SGF, for a decrease from the estimated FY 2021 revenue of \$3,349. The remainder, which would be deposited in the SFCIF, would amount to \$31,739 ($\$37,854 \times .83846$). The LALF would experience a decrease from the estimated calendar year 2020 revenue of approximately \$26,497.

The Department indicates that the agency would require \$29,000 from the SGF in FY 2021 to implement the bill and to modify the automated tax system. The required programming for this

bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The State Fair bases its estimate for revenue resulting from enactment of SB 408 on gross alcohol sales receipts of \$329,837 during the 2019 Fair. With the 20.0 percent increase the KDOR estimates, receipts would rise to approximately \$395,804, with liquor drink tax revenue of \$39,580. Of this amount, \$33,186 ($\$39,580 \times .83846$) would go to the SFCIF and \$6,394 ($\$39,580 \times .16154$) to the SGF, for a decrease from the estimated FY 2021 SGF revenue of \$3,501. Any fiscal effect associated with SB 408 is not reflected in *The FY 2021 Governor's Budget Report*.

The Kansas Association of Counties indicates that enactment of SB 408 would affect only Reno County and the cities in Reno County, which would lose an estimated \$26,498 from the Local Alcohol Liquor Fund. The League of Kansas Municipalities did not provide information on an expected fiscal effect of enactment of SB 408 on cities and towns in Reno County.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Trey Cocking, League of Municipalities
Jay Hall, Association of Counties
Robin Jennison, State Fair
Lynn Robinson, Department of Revenue