

SESSION OF 2020

SUPPLEMENTAL NOTE ON SENATE BILL NO. 408

As Amended by Senate Committee on Federal
and State Affairs

Brief*

SB 408, as amended, would amend law related to the consumption of alcohol on the grounds of the Kansas State Fair (State Fair) and collection of associated liquor taxes.

Under current law, persons may not consume alcoholic liquor on the State Fairgrounds unless the consumption falls within certain exceptions including:

- Domestic wine and beer or wine imported under a farm winery license and consumed for purposes of judging competitions;
- On non-State Fair days during certain permitted events of 75 people or less; or
- During the State Fair in certain premises subject to a temporary permit that authorizes the sale and service of wine or beer.

The bill would amend these provisions to specify that alcoholic liquor could be consumed on the State Fairgrounds within boundaries that have been marked with a three-dimensional barrier if:

- It is domestic beer or wine and is consumed only for purposes of judging competitions; or

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- It is wine, beer, or both that is sold during the State Fair, or as authorized by the Kansas State Fair Board (Board), by the holder of a temporary permit in accordance with the provisions of the bill.

Temporary Permit

The bill would amend law to allow issuance of a temporary permit for the sale of wine or beer on the State Fairgrounds during the State Fair or as authorized by the Board, provided the Board has authorized such consumption and possession of beer, wine, or both.

The bill would require any temporary permit application to specify the premises within the State Fairgrounds where wine or beer could be consumed, including a diagram of the premises covered by the permit. The bill would require the diagram to match the entirety of the premises as leased from the Board. Additionally, the bill would require the boundaries of the State Fairgrounds to be clearly marked by signs, a posted map, or other means that would identify the area in which wine or beer could be possessed or consumed.

The bill would further provide that each temporary permit holder would be liable for violations that occur in the temporary premises, but permit holders could also allow beer or wine to be removed from the temporary premises and onto the State Fairgrounds.

Distribution of Liquor Drink Taxes

Under current law, 25.0 percent of remitted liquor drink taxes are distributed to the State General Fund (SGF) and 5.0 percent of remitted liquor drink taxes are distributed to the Community Alcoholism and Intoxication Programs Fund, with the remaining taxes distributed to the Local Alcoholic Liquor Fund (LALF).

The bill would require 30.0 percent of the liquor drink taxes collected on the State Fairgrounds to be remitted to the SGF and the remaining taxes to be distributed to the State Fair Capital Improvements Fund (SFCIF). The bill would further specify that if the State Fair were to be located outside the city limits of Hutchinson, the distribution provisions would expire.

Technical and Conforming Amendments

The bill would make technical amendments and conforming amendments to ensure consistency in statutory phrasing.

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator Berger on February 10, 2020. The bill was referred to the Senate Committee on Federal and State Affairs (Senate Committee) on February 13, 2020.

In the Senate Committee hearing, representatives of the Kansas State Fair and Kansas Wine and Beer Garden provided proponent testimony, stating the bill would allow for patrons to consume beverages in additional areas on the State Fairgrounds and at additional events, which could lead to additional sales. The proponents stated the bill would also put the Kansas State Fair policies in line with those of other regional state fairs.

Neutral testimony was provided by the Director of Alcoholic Beverage Control (ABC) and a representative of the Kansas Licensed Beverage Association, who expressed specific concerns with the bill as drafted, but did not oppose the underlying premise of the bill.

The Senate Committee amended provisions related to temporary permit applications, removal of wine or beer from permit premises, specifying permit holder liability, and amending the distribution of remitted liquor drink taxes.

According to the fiscal note prepared by the Division of Budget on the bill as introduced, the Kansas Department of Revenue (KDOR) estimates enactment of the bill would result in an increase to revenues from liquor drink taxes at the State Fairgrounds of about 20 percent for a total amount of \$37,854 during the 2020 State Fair. Of this amount, 16.154 percent, or \$6,115, ($\$37,854 \times 0.16154$) 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 ($\$37,854 \times 0.83846$). The LALF would experience a decrease from the estimated calendar year 2020 revenue of approximately \$26,497.

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

The State Fair bases its estimate for revenue resulting from enactment of the bill on gross alcohol receipts of \$329,837 during the 2019 State Fair. With the estimated 20 percent increase, receipts would rise to approximately \$395,804, with liquor drink tax revenue of \$39,850. Of this amount, \$33,186 ($\$39,850 \times 0.83846$) would go to the SFCIF and \$6,394 ($\$39,850 \times 0.1154$) would go to the SGF, for a decrease from the estimated FY 2021 SGF revenue of \$3,501.

The Kansas Association of Counties indicates enactment of the bill would affect only Reno County and the cities in Reno County, which would lose an estimated \$29,498 from the LALF. The League of Kansas Municipalities did not provide information on the expected fiscal effect of enactment of the bill on cities and towns in Reno County.

Any fiscal effect associated with the bill is not reflected in *The FY 2021 Governor's Budget Report*.