

March 21, 2019

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 226 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 226 is respectfully submitted to your committee.

SB 226 would change the basic and expanded hours of sale for cereal malt beverage (CMB) retailers. Under current law, basic CMB retailers are allowed to sell CMB between the hours of 6:00 a.m. and midnight on Monday through Saturday with no sales permitted on Sunday. The bill would only allow sales of CMB between the hours of 9:00 a.m. and 11:00 p.m. on any day when the sale is permitted. In addition to Sunday, the sale of CMB would also be prohibited on Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Under current law, expanded CMB retailers are allowed to sell CMB between the hours of 6:00 a.m. and midnight on Monday through Saturday and between the hours of noon and 8:00 p.m. on all Sundays, except Easter Sunday, when sales are prohibited. The bill would only allow sales of CMB between the hours of 9:00 a.m. and 11:00 p.m. on Monday through Saturday and between the hours of noon and 8:00 p.m. on Sundays. In addition to Easter Sunday, the bill would also prohibit the sale of CMB on Thanksgiving Day and Christmas Day. The governing body of a city with expanded CMB retailers would be allowed to pass an ordinance to require a CMB retailers to close prior to 11:00 p.m., but not prior to 8:00 p.m. The bill would take effect upon on April 1, 2019, after its publication in the *Kansas Register*.

The Department of Revenue indicates that SB 226 has the potential to decrease retail sales and liquor tax collections by reducing the hours that CMB retailers can operate. However, the potential decrease in tax collections is estimated to be negligible. The Department does not have data to determine how many sales occur in the hours that are currently allowed by law or if consumer behavior would change as a result of this proposed change to provide a precise estimate of the decrease in tax collections. The Department indicates that the administrative costs associated with implementing the provisions of SB 226 would be negligible and could be absorbed within existing resources.

The Kansas Department of Transportation (KDOT) indicates that if the state receives lower sales tax revenues, then the bill has the potential to reduce state revenues to the State Highway Fund. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS. The Kansas Association of Counties and the League Kansas Municipalities indicate that the bill has the potential to provide a net reduction to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with SB 226 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a smaller "L" followed by "Campbell".

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Chardae Caine, League of Municipalities
Jay Hall, Association of Counties