Local Mandate Fiscal Impact Estimate
Kentucky Legislative Research Commission
2015 Regular Session

Part I: Measure Information

Bill Request #:   81

Bill #:   HB 90

Bill Subject/Title: An ACT relating to licensing retail food establishments (grocery stores) to sell packaged wine

Sponsor: Representative Larry Clark

Unit of Government: **X** City   **X** County   **X** Urban-County
                                                                        Unified Local
                            X Charter County **X** Consolidated Local **X** Government

Office(s) Impacted: Alcohol beverage administrator for local governments

Requirement: _____ Mandatory   **X** Optional

Effect on
Powers & Duties: **X** Modifies Existing _____ Adds New _____ Eliminates Existing

Part II: Purpose and Mechanics

Currently, the sale of packaged distilled spirits or wine is not permitted within retail food establishments (grocery stores) (KRS 243.230). HB 90 creates a new section of KRS Chapter 243 to permit and establish a license for the sale of packaged wine at licensed grocery stores that have at least 10,000 square feet of space and a minimum inventory of $20,000 in fresh meat, fresh produce, frozen food, and dairy products. The bill's provisions are limited to those cities, counties, and consolidated local governments where sales of packaged wine are already permitted in other types of retail establishments such as liquor stores and drug stores.

HB 90 amends KRS 243.030 to require a grocery store wishing to sell wine to obtain a license from the state Alcoholic Beverage Control Office at an annual fee of $500. KRS 243.060 and 243.070 are amended to allow cities, counties, and consolidated local governments in which sale of alcoholic beverages is already allowed to also issue a retail food establishment wine license at a fee not to exceed $500 annually. KRS 244.050 is amended to allow retail food establishments that have been issued a wine license to offer wine samples.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 90 on local government is expected to be minimal. The license fees allowed by the bill and regulatory licensing fees allowed by KRS 243.075(1) should offset any additional enforcement costs incurred by the jurisdiction.

HB 90 will affect only those jurisdictions that already permit the sale of packaged wine in other types of retail stores. No separate local option election is required in a "wet" jurisdiction to allow such sales, though such jurisdictions might need to amend their ordinances to allow issuance of the license. Grocery stores in "wet" jurisdictions are already licensed to sell beer, so those jurisdictions already have the necessary regulatory structure in place to license and inspect grocery stores for the sale of wine.

The bill allows local governments to issue wine licenses for a fee not to exceed $500 annually. KRS 243.075(1), effective January 1, 2015, allows any qualified city (one formerly classified as a third or fourth class city), and the county containing a qualified city, to impose a regulatory license fee on the gross receipts from the sale of alcohol of each establishment licensed to sell alcoholic beverages. The regulatory license fee is intended to fully reimburse the local government for the costs of any additional policing, regulatory, or administrative expenses related to the sale of alcoholic beverages in the city and county. The license and regulatory fees should offset any additional enforcement costs incurred by the jurisdiction, though a credit against a regulatory licensing fee shall be allowed in the amount of the $500 fee imposed by the city or county under KRS 243.060 or 243.070. Kentucky League of Cities (KLC) believes HB 90 would not result in much additional cost to cities and that occupational license fees (payroll, net profits, or gross receipts taxes) would likely increase slightly. KLC believes that its possible tax revenues from competitors may decline, but that such a decline would not have much impact on KLC members.

Data Source(s): LRC staff, Office of Alcoholic Beverage Control, Kentucky Retail Federation, Kentucky League of Cities

Preparer: Mary Stephens   **Reviewer:** MCY   **Date:** 1/15/15