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MEMORANDUM

To: Senator Pete Brungardt, Chairman, Committee on Senate Federal and State Affairs
From: Dean Reynoldson, Acting Director, Alcoholic Beverage Control Division
Date: 2 February 2011
Subject: Senate Bill 54

Mr. Chairman and distinguished members of the committee, thank you for the opportunity to speak with you about Senate Bill 54.

There are currently 764 state-licensed retail liquor stores and 2,321 locally-licensed cereal malt beverage (CMB) outlets for off-premise consumption. Presuming the vast majority of CMB outlets choose to apply for one of the new retailer licenses and roughly half of the current retail liquor stores depart from the industry, the number of ABC-regulated alcohol off-premise establishments is expected to increase to around 2,600.

New Section 3 would allow a licensee holding a retailer class C license to transfer the license to a qualified person, with approval from the ABC Director. No license or application fee is required, except a \$25 transfer fee, and the license will be issued to the transferee only for the length of time remaining on the transferred license's license term. We respectfully recommend the application fee (\$50) also be applied because ABC will have to determine if the transferee is qualified for the license before approving the transfer and \$25 transfer fee will not cover the cost of doing so. We also recommend that the transfer fee be specified as nonrefundable if ABC determines the transferee is not eligible for the license.

Section 13 of the bill would remove currently existing qualifications for licensure for partnerships and trusts. Corporations would not have to meet any qualifications for licensure, except a certification from the Secretary of State's Office and power of attorney. This would effectively open up all off-premise licenses to convicted felons and others who would not otherwise qualify for such license. Our investigations have demonstrated the importance of keeping the criminal element out of the liquor business. We uncover hidden ownerships wherein the real (unlicensed) owner uses a straw person to

