Governor's Task Force on the Study of Kentucky's Alcoholic Beverage Control Laws

Licensing Committee Meeting – September 11, 2012 – 9:00 a.m.

Committee Chair – Stephanie Stumbo, Kentucky ABC Malt Beverage Administrator

Minutes

A meeting of the Governor's Task Force Licensing Committee was held September 11, 2012 at 9:00 a.m. at the offices of the Department for Local Government, 1024 Capital Center Dr., Ste. 340, Frankfort, Kentucky.

Opening Remarks: Committee Chair Stephanie Stumbo called the meeting to order, and wanted to inform the committee members that the contact information on the Departments website may have had some incorrect direct contact numbers, but the correct information can be found on page two of the binders that were distributed at the last meeting. She reiterated the goal of this committee is to modernize and streamline Kentucky's licensing structure while remaining revenue neutral and not creating any new license types or granting new privileges nor remove any existing privileges. Stumbo advised the members that Commissioner Dehner has agreed to permit the Committee to utilize 30 minutes of his time to assure enough time to accomplish the meeting agenda.

Roll Call:

Committee Members Present: – Jitter Allen, Larry Bond, Mayor Tom Bozarth, Scott Jones (representing Representative Larry Clark), Commissioner Tony Dehner, Jennifer Doering, Gay Dwyer, Eric Gregory, John Harris, Senator Jimmy Higdon, Representative Dennis Keene, Roger Leasor, Dan Meyer, Administrator Danny Reed, Administrator Stephanie Stumbo, Secretary Bob Vance, Adam Watson, Neil Wellinghurst.

Committee Members Absent: – Representative Clark (but was represented by Scott Jones), Lowell Land

Others Present: Stephen Amato, Bryce Amburgey, Dianne Andrews, Barbara Atwood, Jason Baird, Dick Brown, Leo Camp, J.D. Chaney, John Clay, Heather Combs, Virginia Davis, William Dexter, Angie Donahue, Brian Fox, Christina Gordley, Steve Humphress, Pam

Jenkins, Stacy Kula, Karen Lentz, Tyler Madison, Bert May, Tim McGurk, Gene McLean, Judy Piazza, Dave Pickerell, Sonya Semones, David Smith, Jason Trudeau, Ellen Williams, Russ Woodward, Terri Woolfolk.

Committee Goals: Stay within the streamline and work toward reducing the number of license types from 87 to some reduced number; fix some inconsistencies and issues that Kentucky's process currently has; and submit recommendations to the Task Force by December 1, 2012.

Meeting Objectives: Chair Stumbo stated that the approach of the meeting was to create an open dialog with full group participation. This meeting focused on a review of licensing schemes from "other" states selected. A total of eight states were reviewed. The objective was to determine if any of these states has something of value that Kentucky may want to incorporate and if there is one or more of these states that has a licensing scheme or licensing titles that Kentucky may draw upon. Since the last meeting, it was recommended that this committee take a look at two additional states beyond the six states originally provided within the committee packets for the total of eight states. Gay Dwyer recommended adding a review of Texas, and Dave Pickerell recommended adding a review of Kansas, both of which were also reported on at today's meeting. All members were asked at the last meeting to review Kentucky's existing licensing process, specifically taking a look at what Kentucky had in 1942 as opposed to the license types today; look at all 87 license types (Spreadsheet handed out previously) and determine what privileges each type offers the license holder and what the costs are and be prepared to make recommendations on what existing licensing types might be able to be merged or bundles together to stream line existing licensing structure; look at the six other states included in the packets and review the information provided.

Chair Stumbo structured the meeting around three main categories to drive discussions in order to abstract committee suggestions and input from the members. These categories were as follows:

- 1) Other States' Information (what this committee likes or dislikes, what is of value, or if this committee determines continue pursuit of other states information is not the "best next steps" for the process and just use Kentucky's existing scheme to work with and brainstorm on possible new scheme structures that offer a more streamlined approach);

- 2) Kentucky's structure (specifically looking at our current license types and determine which ones are logical and what types may be bundled and which items may remain unchanged); and,

- 3) Bucket List Ideas (members will submit ideas or recommendations about general inconsistencies and other licensing issues with our current structure or process which are issues within the scope of this committee beyond bundling license types). – (Some examples of bucket list items mentioned by Chair Stumbo were: different prices for the exact same license issued in a 1st class city vs. a 4th class city; are leases and deeds needed?; are bonds needed?; problems arising with by the drink licenses; inconsistencies with requirements from producers; annual renewal process – by zip code – the renewal date and the time of year can be different for licenses right across the street from each other because of the breakdown of zip codes; is annual renewal still needed for all license types or can some be on a two year renewal?; should all licenses be renewed on the same day every year?; and streamlining the applications to make them easier for applicants.

Stumbo specifically expressed appreciation to the individuals who volunteered and assisted the committee staff on the additional states research activities and reporting for the meeting. She then advised the Committee that this research was to go a level beyond what was in the initial materials in the binders but was still general research and review. She stated that the volunteers were tasked to look at each assigned states scheme and licensing types as well as to be prepared to advise or make recommendations to the full committee in regards to specifics to the state structure that they liked, dislike and why along with input on next steps the committee should take in regards to strategy or process and why.

Reports on Other States' Information: Chair Stumbo stated that the "other states" for additional review were selected based upon two basic criteria items 1) the appearance of a minimal number of licensing types and 2) an appearance of a simple licensing scheme. With the addition of two other states mentioned previously, that was requests by Committee members/participants. Research volunteers were ask to specifically look at the licensing schemes as well as licensing types but not to focus on the privileges these types might provide for or prohibit. To identify any items of potential use or benefit as examples or resources in which the committee may draw upon and to identify and potential issues or problems that might eliminate the state from further review. Stumbo stated that the research and overviews of the assigned states where to be from a 10,000ft view perspective at this point unless there was a specific state identified by the committee after hearing the reports that warranted a detailed review and intensive research. (See Attachment 1)

Stumbo called for the volunteers to make presentations to the full group.

#1 Alabama – Presented by Leo Camp

- Research was focused mainly on retail licensing
- Package License
    - allows package sales of beer, wine, and liquor for off premises consumption. (note: a license to sell package beer is not a separate license)

- Retail Wine License – two types
    - one is a license for the sale of wine for off premises consumption only, and
    - one that permits the sale of wine for off premises and on premises consumption
- Retail Beer Licenses – two types
    - one allows the sale of beer for on premises only, and
    - one for on and off premises consumption
- Restaurant license
    - allows the sale of beer, wine, & liquor for consumption on premises
        - covers hotels, restaurants, dinner theatres, and civic centers, etc.
        - the service area is defined to allow sales of beer, wine, and liquor at such establishments which are habitually used for the serving of meals to patrons, guests, and members and other public and private rooms
    - Hotel restaurants can cater alcoholic beverages to guests in private rooms
- Lounge License
    - permits the sale of beer, wine, and liquor for on premises consumption only
    - similar to Kentucky's Liquor Drink License
- Club License
    - allows the sale of beer, wine and liquor to members of the club and their guests for on and off premises consumption
    - does not allow Sunday sales for off premises consumption).
- Entertainment District Designation –
    - certain areas designated as an entertainment district permit patrons to take open containers within the area of the entertainment district
- Alabama has good licensing structure overall, and has 6-7 total license types
- Alabama's fee structure was not researched

Questions and comments about Alabama's structure: Representative Keene questioned whether Alabama has many dry territories like Kentucky does. Leo Camp did not gather this information and was not able to answer this question. Dan Meyer mentioned that Alabama is a partial control state with regards to wholesale alcoholic beverages. Gay Dwyer inquired as to whether Alabama has what some states refer to as a "Master File" for licensees that have multiple locations. Mr. Camp did not have this information from his research on Alabama.

#2 Minnesota – Presented by Leo Camp

- The state authorizes and sets up what types of licenses may be issued
- Municipalities actually issue alcoholic beverage licenses not the state
- Minnesota is focused on "on-sale" and "off-sale"
- Liquor stores can sell beer, wine and distilled spirits for off premises consumption (note: other types of products liquor stores can sell is very limited)
- In some areas of the state, municipalities actually own and operate package stores (note: in these areas, this type of license is not available to the public)
- Full intoxicating Liquor Licenses are issued for the sale of beer, wine, and liquor for on premises consumption

- Wine and Beer License (combined) allows the sale and on premises consumption of both wine and beer
- Minnesota has several types of beer (strong beer, near beer, 3.2% beer)
- A number of their statutes deal with the 3.2% beer only
- Beer Only Licenses allow the sale of beer for on premises consumption, and are issued separately
- Wine Only Licenses allow the sale of wine for on premises consumption, and are issued separately
- Minnesota has decreased their number of licenses types but was not a structure recommended and had more types but at local levels

#3 Texas – Presented by Leo Camp

- Texas' scheme seems to be ambiguous and inconsistent between the state and local licensing
- Texas has "On-Premises" and "Off-Premises" licenses
- Malt beverages containing 4% or more a/b/v is considered ale, less than 4% is considered beer
- Off-Premises Consumption Licenses – four
    - Beer License
    - Wine and Beer License
        - allows beer, wine, and ale
    - Wine Only License
        - allows wine and ale
    - Package Store License
        - allows all products to be sold for off premises consumption
- On Premises Consumption Licenses – four
    - Beer License
    - Wine and Beer License
        - allows beer, wine, and ale
    - Mixed Beverage Permit
        - allows all products
    - Mixed Beverage With Restaurant License
        - allows all products to be sold for on premises consumption in a restaurant
        - Restaurants must derive 50% or more of its revenue from non-alcohol sales

From the research of these three states, Leo thinks Alabama has done the best job in keeping their statutes related to process simple and understandable while limiting the number of licenses but still allowing the same activities. However, when speaking to peers working or within the state, they questions why anyone would want to copy this structure as it had numerous problems and issues.

#4 Oregon – Presented by Steve Amato

- Oregon is a part control and part licensing state
- Liquor Control Commission controls all off premise sales of distilled spirits, which aids in their revenue because license fees are pretty low
- Beer and Wine can be sold by the package by private individuals with a package license
- Malt beverages and wine are governed in a traditional licensing fashion
- Recently modernized scheme reducing the number of their license types from 40 to 22
- Oregon's Retail License Types:
    - Full On-Premises Sales License – allows sale of all alcoholic beverages (beer, wine and distilled spirits)
        - All On-Premises Sales licenses involving the sale of distilled spirits require meaningful food sales (50%) and have very strict requirements such as having entrees and side dishes – this includes bars and restaurants, hotels and pretty much any place where distilled spirits are sold for on premises consumption
        - On-Premises Sales License fee is $400
        - On-Premises Sales Licenses and Limited On-Premises Sales Licenses allow catering – thus eliminating the need for a separate caterer license
        - Mandatory Liquor Liability Insurance is required for establishments holding this license type
    - Limited On-Premises Sales License – allows the sale of wine, malt beverages and cider
        - Limited On-Premises Sales License have no food requirement
        - Limited On-Premises Sales License can sell a limited quantity
        - Limited On-Premises Sales License fee is $200
        - Limited On-Premises Sales License includes catering
    - Off-Premises Sales License – allows the sale of wine, malt beverages and cider (does not include distilled spirits)
        - Off-Premises Sales License permit only a limited quantity of malt beverages to be sold
        - Off-Premises Sales License allows sampling upon application to the Liquor Control Commission
        - Off-Premises Sales License holders are allowed to make deliveries of wine and cider
        - Off-Premises Sales License fee is $100
        - Clerk training is required after a problem arises at an establishment holding this license type
    - Temporary Event License – allows the sale of all alcoholic beverages to be sold when food service is included
    - Brewery/Public House License – allows licensees to brew, sell, and transport malt beverages and wine to wholesalers.
        - Allows the limited quantity sale of malt beverages at retail for consumption on or off the premises

        - Sell limited quantities of malt beverages directly to consumers for off premises consumption.
        - Very broad license with many privileges
        - 200,000 barrel maximum to maintain this license
    - Manufacturing Licenses – three types
        - Brewery License
        - Winery License
        - Distillery License
    - Wholesale Distributors Licenses – two types
        - Wholesale Malt Beverage
        - Wholesale Wine

- Licensing criteria – fairly subjective - no quotas, public convenience and necessity determined by the Commission
- Applications – Kentucky's are pretty good and easy to follow, but schedules could be revised. Federal system looks simple as well, but not any more than Kentucky's.
- Amato liked Oregon's process of the very intense downsizing of the retail licenses.

#5 Alaska – Presented by Steve Amato

- Alaska's statutes are very fair
- Approximately 21 license types
- On-Premise Retail Licenses:
    - Beverage Dispensary License – similar to Kentucky's Liquor Drink License
        - No food requirements
        - All types of alcoholic beverages
        - Quota system
        - There are dry territories
    - Restaurant/Eating Place License
        - Beer and wine only, no distilled spirits
        - Seems as though this license holder can be located next to or a part of beverage dispensary
    - Club License
        - Private clubs
        - All alcoholic beverages
    - Pub License
        - Limited to college or university campuses
        - Beer and wine only
        - One per campus
    - Recreational Site / License Vacation Destination Site License
        - Temporary license
    - Common Carrier license
    - Golf course
    - Catering

- Package Licenses
    - All types of alcoholic beverages
    - Similar to Kentucky
    - Not sure if quota applies to off premise licenses
- Manufacturing Licenses
    - Bottling Wharfs
    - Breweries
    - Distilleries
    - Wineries
- Brew Pub License
    - 465,000 gallon per year limit
    - Can combine with a beverage dispensary license – can sell, at retail, products that are produced at the brew pub
- Wholesalers and Distributors Licenses
    - General Wholesale License
        - Combines all beverages
    - Limited Malt Beverage and Wine Wholesale License

- Mandatory Training
- Licenses are issued for a two year period

<u>Introductory Presentation by Stacy Kula</u>

I took a very different approach than Steve Amato did. I'm not nearly as concerned with the number of licenses that we have but that our statutes are drafted in a comprehensive, comprehendible way. I think it would be great we could think of an approach to combine them into one or two licenses as the committee envisioned. I think that's easy to do, but I think really what we need to do is take a look at the statutory scheme together and produce something that would make sense. I think having 80 licenses is not much different than having 20 licenses with 15 subparts. Unless there is a way in which to do this and make our statutes more comprehendible. I think that our application process is fairly simple and we have a one basic permit that covers the application process with a very simple schedules that you attach, so I don't think that process will change that much. So my focus was quite a bit different looking at how we want to improve the statutory scheme more so that just the types of licenses.

I took a look a look at Indiana. Indiana has 21 licenses. The licenses are divided among the alcohol types of wine, liquor and beer at the manufacturing, wholesaler and retailer level. So that was nice and it was very easy to be able to understand the different licenses. The license for transporters' employees, it did not distinguish the different alcohol types. It was just combined into one and I think something like that Administrator Stumbo has referenced in the past is to try to combine those licenses into one as an example and I think that would be an easy fix for Kentucky and I think Indiana did it pretty well. I had some bad impressions

of Indiana's statutes starting off. I did not realize the full statutory scheme was not included in our book so when I started looking through these, at first I thought it was great. It divides the licenses into 21 chapters and each chapter talks about one license. But then there were no definitions and nothing really made sense by the time I got to the end of it, so I got on the internet and I saw that there is a lot more to the Indiana scheme than just what is shown in your binder. What I did bring today, if you want them, and we can distribute them later, are the definitions, if it will help anybody, but keep in mind there's a lot more to Indiana than just what's in your book and I think that may be true to the other statutory schemes for the states in there. While it had all the permissible actions for the type of license in one chapter, there are a lot of other things that go into licensing besides what is permissible. There's prohibited activities, there's who's a qualified applicant, and you had to flip flop back and forth to the different chapters to find that and that's somewhat similar to Kentucky. It is very poorly drafted too, like Kentucky's.

Steve talked with each of the committee's last month about the statutes being possibly unconstitutional and vague and not implied consistently. I think you will see that with Indiana as well. So even though they have a nice package, Indiana's overall licensing scheme when you get down to the substance, it is not well drafted. If you don't mind, if you'll just take a look there quickly with me at Indiana's. The first chapter is chapter two the brewer's permit. If you will look at the first statute under that application, it says the commission may issue a brewers permit to a person that desires to manufacture beer. That is great that you have that desire, and I assume you have that desire when you submit your application, but what about that you're qualified? I mean that makes sense to have that in the statute. If you flip over to the next chapter, chapter 3, which is the beer wholesaler's permit, it's just 3 pages after that, again, same type of scheme dealing first with application. It says the commission may issue a beer wholesalers permit to a person who desires to sell beer at wholesale – it has that desire part there again – and who meets the qualifications required by the statute? To me that presents some real interpretation problems. Does that mean that under the first chapter if apply for a brewers permit, that you don't have to meet the qualifications? There is a clear inconsistency in and difference in the statutes. I think we need that same consistency in our statutes. Here's one of my favorite ones. If you will flip over the chapter nine, liquor retailers permit, and in that chapter nine you will see it consists of 4 pages. At the top you see page one of four. Flip over to page 3 of 4. This is my favorite chapter. First full statute on page 3, the title is high and fine reputation. The commission may issue a liquor retailers permit only to a high grade club. What does high grade mean? Restaurant, or hotel, which has a "high and fine reputation" for decency and law obedience? In no case shall a liquor retailer's permit be issued or stand unrevoked if the owners, manager or management of the establishment is not a person of strict integrity, not integrity, but strict integrity, and high repute. What does that mean? Last one I will quote to you. Flip over to chapter four, which is beer retailer's permit. In here under beer retailer's permit we are looking at special

disqualifications, I'm going to paraphrase it and read the subsections together. Here is what it says the commission shall not issue a beer retailer's permit to a person who is not of good moral character and of good repute in the community in which the person resides. So if you want a beer retailer's permit you have to be of good repute. But if you want to get a liquor retailer's permit you have to be of high repute. What's the difference? It just doesn't make sense. And a lot of this is very subjective – good moral character – what does that mean? They might want to focus on things such as felony convictions, misdemeanor convictions relating to alcohol and substance abuse like Kentucky. I like the fact that it had a separate chapter for each permit, but at the end of the day, not all of the provisions that pertain to that permit were in included in that chapter. To me that was a problem. The over riding thing here was you can package it any way you want it, but it's really gonna be the substance of your statutes and how well drafted they are.

Points on Reported States by Stacy Kula:
#6 Indiana – Presented by Stacy Kula

- Reviewed their statutory scheme
- Number and types of licenses not as important as well written statutes
- Prohibited activities
- 21 license types divided between wine, liquor, and beer at the manufacturing, wholesaler and retailer level
- Transporters licenses did not distinguish the different alcohol types
- Chapter Two of Indiana statutes - Brewers Permit
    - statute states the commission may issue a brewer's permit to a person who desires to manufacture beer, but does not require that the applicant be a person qualified to hold that license
- Chapter Three of Indiana statutes – Beer Wholesalers' Permit
    - Commission may issue a beer wholesalers permit to a person who desires to sell beer at wholesale and who meets the qualifications contained in the statutes
        - Presents interpretation problems and is similar to the inconsistencies in Kentucky's statutes
    - Chapter Nine – Liquor Retailers' Permit
        - Use terms and language that presents some real interpretation problems and is very subjective
    - Chapter Four - Beer Retailers Permit
        - Special disqualifications – using terms "good repute," and "good moral character." Does not focus on felony or misdemeanor convictions relating to alcohol and substance abuse. Again, Use terms and language that presents some real interpretation problems and is very subjective

- All permissible actions for a particular license type were listed in one chapter, but there are other actions such as prohibited activities, and who is a qualified applicant, that were listed in other chapters

- Has a separate chapter for each license type or permit, but not all provisions relating to each permit were included in that chapter
- Kula felt that the scheme was more complicated once you got into it and had language that was vague. She reported that this was not a state she would recommend looking further at.
- Kula also stated after looking at other states assigned, although Kentucky's statutes needed streamlining and to be modified solely to make them more easy to understand, overall Kentucky's licensing scheme and application process was good.

#7 North Dakota – Presented by Stacy Kula

- Nine license types
- Divided by beer and liquor and wine
- Separate permits for retail and wholesale
- Manufacturing had separate permits for each
- Only four chapters in their alcoholic beverage statutes
- Chapters were somewhat mismatched
- Chapters were similar to Kentucky's

Kula does not recommend in totality either states schemes. She recommended keeping privileges, prohibition, and application requirements together within one statute if/when possible. If Kentucky combines licenses, she recommended considering keeping a basic application, but revising our schedules. Decide if our application schedules give us any guidance of how to combine license types. Look at existing statutes to see what might be able to be combined into revised statutes that would make them more understandable and all information in regards to a license type in one location not throughout various statutes and regulations. Work to improve statutes that are contradictory or have language that is vague and meanings that are debatable.

#8 Kansas – Presented by Dave Pickerell

- Kansas statutes changed in July 2012
- Prior to July 1, 2012 Kansas had 9 license types and 28 subtypes
- Since July 1, 2012 they added one new type, one new subtype and eliminated one type all together
- On Premise Licenses:
    - Distributor License – one – with subtypes
        - Beer
        - Wine
        - Spirits
    - Large Manufactures License
        - Beer
        - Wine
        - Spirits
    - Retail – one (off premises consumption)

    - Shipping License
        - In-state shipping
        - Out of state shipping
    - Supplier License
        - Supplier
        - Package or Warehouse
    - 3 Small Craft Licenses
        - Farm Wineries
            - Farmers Market
            - Farm Winery Outlet
        - Micro-breweries
            - Micro-brewery only
            - Micro-brewery plus packaging warehousing
        - Micro-distillers
            - Micro-distillery only
            - Micro-distillery plus packaging warehousing
- On Premise Licenses:
    - Smoking-Ban Exempt License
    - Caterers Permit
    - Large & Small Social Club
    - Vets and Fraternal Clubs
    - Class B Club
    - Drinking Establishment
    - Drinking Establishment that has a caterer or a hotel with a caterer
    - Hotel Drinking Establishment
    - Public Venue

- Kansas has done a nice job bundling licenses. For example, a Micro-Distillers License gives you a license to manufacture, a license to sell at wholesale, to sell to consumer, and a license to permit sampling all in a single license. Kentucky could do something similar. Feels as Kentucky look s at bundling or merging like types that the state offers some examples to pull from or look to for guidance.

Brainstorming Ideas & Suggestions: *(ALL Comments were captured and retained on white board. Please note this section does not contain an exhaustive list of all comments made during the brainstorming session.)*

At the conclusion of the reports on the other states' information, Chair Stumbo opened discussions to the entire committee to seek consensus on the approach forward. Specifically, what approach or strategy did the Committee wish to use. To generate conversation Stumbo asked did the Committee wish to either pick one or more states to work with and to pursue in more extensive research and review of exactly what and how the selected state(s) scheme and types work, or identify portions of other states, or just use them as references? Stumbo asked the committee if they wish to continue research of any of these states further. Or does the committee want to just look at Kentucky and decide what licensing types might go together and what issues are areas within the scope need to be revised or fixed. A

consensus was reached to just take a look at Kentucky's licensing scheme and begin work with it in identifying opportunities to bundle or streamline. Other states information will be retained and utilized on as needed basis as a resource. It was consensus of the group that no one state could be copied because each state is too different from Kentucky. The committee agreed that Kentucky's scheme and licensing types although good, efforts need to focus on fixing issues or making improvements not just making changes for the sake of making changes. If a licensing type was good or needed to remain untouched then it should. Group should seek ways to streamline, simplify or clarify types and scheme.

Stumbo continued to facilitate open group discussions and brainstorming on suggestions for consideration or review to be part of the committees on going work to streamline Kentucky's scheme and licensing types. She kept focus on looking at Kentucky's license types since 1942 through the present and having members report out on their assignment and their suggestions. Transporters licenses can possibly be merged. Dan Meyer suggested looking at KRS 243.030 (11) (12) (13) special non-beverage alcoholic beverage licenses, and horse race track vs. auto race track licenses be merged as facility licenses. But, these two types of licenses have different privileges and requirements and may have to be subtypes and defined. John Harris suggested Storage Licenses, Caterer's Licenses, Supplier and Distributors Licenses could be merged. Eric Gregory suggested distilleries and their souvenir licenses be merged. Same thing applies with brewers and wineries. Both distillers have sampling licenses and three licenses can be one. For working purposes, these will be put under producers and look at the stand alone licenses with their sampling and souvenir licenses. Gay Dwyer suggested a single restaurant license with subtypes which include sampling and catering. John Harris reminded the committee to watch for incompatibilities and preserving unique privileges for each license type. Archaic licenses that aren't being used should be eliminated. Combine all Sunday licenses. Package sampling license can be combined with the package license. Merging will raise the costs of the licenses. Steve Humphress suggested merging hotel in-room license with the hotel license. Our quota system is the problem with merging. We could combine all licenses down to retail drink and address the costs by type of entity. Alabama has something similar. John Harris brought up the issue of Kentucky not recognizing cider as a malt based beverage and categorizes cider under distilled spirits. Gene McLean stated that bundling licenses types may be the best way to fix our scheme. Common types can be bundled with subtypes that have clear definitions to the unique privileges. Simpler may not be better. Better is better. A number of this state's licenses were created by statute for a reason.

Elements in discussing license types, particularly specialty licenses, will be can they even be consolidated, are privileges so special or unique they must remain separate. Other elements to be included in the Committees next steps that will have to be considered across all types and any proposed changes is- has the committee maintained all existing privileges for each type(s), not accidently expanded or reduced any privileges, assured types that need to

remain separate have been, carefully review each proposed changes to avoid any unintended consequences and lastly carefully review to assure that bundles or merged licensing types capture their original associated fees to combine in proposed new fee schedules to assure that the changes and the Department's assessment of fees remain revenue neutral and no reductions or lost revenue. Discussions and suggestions continued all recommendations were captured on white board. As discussions related to suggestions on streamlining or bundling slowed Stumbo transitioned the group and requested any additional items or licensing issues that had not yet been captured and white board.

Mr. Woodward, posed a clarifying question to Chair Stumbo -If there are ideas that an industry member or group is opposed to, what happens? Stumbo responded that the ideas should be fully discussed amongst the entire committee to determine the reasons for opposition, etc., the opposition and explanations of way or impacts should be vetted to the group and a consensus of the group should be reached. Stumbo also reminded the group of the initial rules set forth in regards to reaching a general consensus and if an issued was not moving forward to keep the committee on track she would look to the appointed members for resolution and majority consensus and move forward. No further comments made. Stumbo then refocused group back to suggestions on any additional items or licensing issues that had not yet been captured and white board. She directed the group to focus on any "bucket list" items that the committee should capture to assure they look at as part of the going work and recommendations to be contained within the final report to the Task Force.

Bucket List Items: Committee members made the following recommendations:

- Temporary licenses – are currently very burdensome and can be abused and NOT compliant with Statute or regulation
- Multiple year licenses
- Change renewal process
- Consistency in fees
- Consistency across like licensing types on requirements
- Producers – one license with three subtypes
- Look at solicitors/special agent license
- Deeds, leases, and ownership – Is there ways to meet this requirement but simplify
- Transitional licenses – revert back to managers agreement
- Bonds – Do we need them? TTB is in the process of eliminating bonds
- Create a Master File for corporations with multiple locations
- Mandatory server training as a pre-requisite for license applications (Stumbo deferred to Administrator Reed's committee but noted it would be captured)
- Look at the need to have quotas – Is the original justifications still valid? Discussion and several comments in pro and in regards to looking at this. (*Stumbo moved group discussions on)*
- Create a theme of "Better" not "Simpler"
- Address how to deal with the complexity of multi-level corporations
- Cider-Clarifications needed

- Consider making catering part of restaurant license

Chair Stumbo advised the Committee that she would retain and as part of each meeting solicit “bucket list” items. She asked the group if they had any additional or thought of any after the meeting to email suggestions for either streamlining licensing types or bundling them and “bucket list” items to her and she would assure they were added and part of the committee discussions.

Needs & Assignments: Stumbo solicited volunteers that are needed for assisting the Committee staff with taking the information from the meeting and begin compiling that off white boards into some proposed licensing scheme and initial structure. Volunteer working group will be taking a look at what types of license types can be bundled or merged to generate a proposed structure for the committee to begin working off of. Review the bucket lists items. Take an initial look at privileges and pros and cons of items discussed today. Stumbo advised to keep the committee moving forward in the restrictive timeframe and to put some legs under the work to date, a proposed scheme would be offered based upon the recommendations and ideas to date. This would allow the Committee a working draft to begin discussions and a starting point to build upon. Stumbo reminded the membership that as they move through the process careful review of privileges and fees etc would become critical. Stumbo advised the next meeting would include obtaining additional topics if needed for the bucket list, reporting out on any information emailed by the membership after the meeting and to begin more intensively looking at types that could be bundled. Once the Committee had a working structure then they would move into cross comparing and reviewing requirements and privileges to assure the proposed types would be able to be bundled or not then once that task completed move into the final phase of establishing and combining existing fee amounts to assure streamlining efforts remain revenue neutral. Stumbo advise that all steps must be fully reviewed before final recommendations could be made.

Next Meeting Date(s): There was request to change the date of this committee’s next meeting from October 9, 2012 due to a scheduling conflict with a lobbyist retreat. After discussion it was determined that the conflicting annual event only posed issue for possibly two members. The Consensus of the members agreed to leave the meeting date as previously posted. Committee Chair Stumbo also stated she had received requests to change the standing time and concerns of the current time slots on going time constraints for the Committee. She recommended the standing time of this committee be changed from 9:00 a.m. to 1:00 p.m., which is the current standing time for the Public Safety Committee or select and move the committee to a day different from the others. She further advised it was the original intent to try to hold the committee meeting all on the same day. All members were in favor of the time change. Administrator Reed and members of both committees agreed to the change. The final decision by the group was to remain on the same schedule day as the other committees with a new time for Licensing Committee to be held at 1:00.

The next meeting of the Licensing Committee will be **Tuesday, October 9, 2012, from 1:00 p.m. – 3:00 p.m.** at the offices of the Department for Local Government, 1024 Capital Center Dr., Ste. 340, Frankfort, Kentucky. Volunteers may meet prior to that date.

New meeting times for committees:

Discussion occurred in regards to the other committees and additional changes to those. It was determined that the new standing times for each committee are: Local Option Election Committee 9:00 a.m. – 10:00 a.m.; Public Safety Committee 10:30 a.m. – 12:00 p.m.; Licensing Committee 1:00 p.m. – 3:00 p.m.

Task Force Meeting:

Secretary Vance reported that the full Task Force will meet Wednesday, September 26, 2012, at 9:00 a.m. at the Kentucky History Center. Details will be sent to the Task Force members. Committee Chairs will give progress reports to the Task Force at this meeting.

Approval of Minutes: Stumbo called for any edits to the minutes from the committee's August 29, 2012, hearing no edits she called for motion to approve, the motion carried. The minutes were approved by the committee members.

Adjournment: The Licensing Committee meeting was adjourned at 11:10 a.m.

September 11, 2012 Minutes-Attachment 1

Volunteer Instruction Correspondence

Below is a sample of the email instructions sent prior to the September 11th Committee meeting to the various volunteers who assisted with the research on "other states" licensing schemes and types. This is being provided to better assist the committee membership in understanding exactly what the volunteers were asked to do and be prepared to share with the Committee upon reporting. The instructions or guidance provided to assure some consistency was as follows:

Dear _____ (Volunteer),

First allow me to thank you for your willingness to assist us in this task. I sincerely appreciate all of your interest and efforts. I hope this email will provide you some guidance or framework in completing your review of the other states licensing structure as well as clarify the expectations in regards to what report information I need you to be prepared to discuss with the full group.

As discussed at the Task Force meeting, Kentucky's current licensing scheme has become untenable and needs to be simplified.

To accomplish this purpose, we wish to study other states' laws and hope to obtain ideas that we might use in simplifying our licensing system. Since all states and their interests are different, it is highly unlikely that another's state scheme will be the perfect fit for us. Instead, we may use different ideas from several licensing schemes to generate a strategy to make the best fit for Kentucky.

We are not looking at other states' laws to see what additional privileges we could give to our licensees. Instead, we are simply looking at the other states' license types and categories to determine whether the other states' approach would allow us to merge several different Kentucky licenses into one similar license category. For example, a restaurant drink, motel drink, airport drink, retail liquor drink license, could easily be merged into one license type.

Please review the following state's laws and licensing schemes: _____

At the next Licensing Committee meeting, we would like for you to discuss which state license approach you believe would be the best model for us to consider or use as a model for simplification. We would like you to explain which Kentucky license types you believe would merge into the other states' license types, and which Kentucky licenses do not merge well and why. You can also suggest and incorporate ideas from different states' laws or recommend your own ideas looking at Kentucky's past and present licensing types.

Also, Kentucky law divides license types into beer licenses and liquor/wine licenses. Other states only have one license type that covers all three types of alcohol (beer, wine, distilled spirits). The limited restaurant (LR) license is already a license type that permits all types of retail alcohol sales.

Conversely, some states have separate licenses for each alcohol type (beer, wine, distilled spirits), but have a fewer license types for each. The current RWL license is a wine only retail license. Be prepared to discuss whether you believe Kentucky should keep its two different alcohol types licenses, adopt a single alcohol type licenses, or adopt the three different alcohol type licenses with simpler categories.

After you research, you may conclude that it might be easier to just consolidate current licenses back into the 1942 Kentucky license types. If so, we would like for you to share your thoughts as why you believe that this is the better approach and how it could be accomplished.

Lastly, attached is the "Summary" document from your binders on the other states licensing schemes. I have attached it so that you may obtain the applicable web addresses for the states assigned to you.

Thank you!

Stephanie L. Stumbo
Malt Beverage Administrator
Kentucky Alcoholic Beverage Control
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