



January 31, 2017

To: Senate Committee on Financial Institutions and Insurance

From: Kathleen A. Taylor, Kansas Bankers Association

Re: **SB 65: Selling Liquor Pledged as Collateral**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you today on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 99% (250 of 252) of the commercially chartered banks headquartered in Kansas. Our membership also includes 19 out-of-state commercial banks and 6 savings and loans operating in Kansas. Our member banks employ more than 13,000 Kansans that provide financial services in more than 400 towns and cities across the state. The KBA stands in support of **SB 65**, which would amend K.S.A. 41-1125 to add an option for creditors when they have foreclosed on an entity that has pledged alcoholic liquors as collateral.

On the occasion that a bank or other creditor makes a loan to finance the purchase of liquor inventory for resale to the public, the bank can lawfully take a security interest in the inventory of the liquor store. However, a bank or other creditor can not lawfully sell the liquor inventory upon repossession as the bank does not have a liquor license.

It had been the understanding of our industry that there were a couple of options available to a bank when needing to sell repossessed liquor inventory: 1) the bank could hold a sheriff's sale and sell the inventory as provided in K.S.A. 41-1125; or 2) with permission of the Department of Revenue's Division of Alcohol Beverage Control (ABC), sell the inventory back to the distributor or to another retailer.

Late this summer, the KBA learned that this second option was no longer a policy being followed by the ABC, leaving a sheriff's sale as the only option available. While holding a sheriff's sale is a good option in some cases, we believe that the law should provide for a second, less costly and burdensome option and so are bringing forth **SB 65** for your favorable consideration.

SB 65 simply adds the second option described above to K.S.A. 41-1125, thereby allowing a creditor the option to sell foreclosed upon liquor inventory to a distributor or other retailer with prior permission of the ABC. The KBA worked with the ABC in drafting this language, giving them the opportunity to review and revise prior to presenting it to the Committee.

In summary, **SB 65** reinstates a policy of allowing creditors who find themselves lawfully in possession of alcoholic liquor inventory, two options for disposing of this perishable asset. Thank you for your time and attention to this important matter.