November 12, 2021

The Honorable, Pete Ricketts
Governor of Nebraska
and Senators of the Legislature
State Capitol Building
Lincoln NE 68509

Dear Governor Pete Ricketts and Senators,

Pursuant to Neb. Rev. Stat. §53-117(9) it is the duty of the Nebraska Liquor Control Commission "to investigate the administration of laws in relation to alcoholic liquor in this and other states and to recommend to the Governor and through him or her to the Legislature amendments to the Act". The following are our recommendations. Although listed numerically, we believe them to be equally important to further the health, safety, and welfare of the people of Nebraska through the regulations of alcoholic beverages.

1) **ALCOHOL BRAND REGISTRATION**

Brand registration would enable the Commission to more accurately and correctly identify alcoholic products being imported into or produced in Nebraska for taxation and distribution purposes.

As more and more alcoholic beverages are created in the marketplace it is a daunting process to make sure that they are categorized and taxed appropriately. Currently, all beverages sold for interstate distribution in the United States file a Certificate of Labeling Approval (COLA) with the federal government (TTB). Many states require alcohol manufacturers and importers to file those COLA's with the state as well to insure proper distribution and taxation.

2) **TECHNICAL CLEAN-UP AND MODERNIZATION**

The Commission received funding last year to implement the Comprehensive Alcohol Management Project (CAMP). As of the date of this letter the Department of Administrative Services Purchasing Division is in review of the proposed RFP. During the formation of the RFP certain areas where identified that can modernize the process of license applications and the manner that the license is transmitted by making the license a digital license that is transmitted directly to the licensee. Therefore, time and monetary efficiency will be realized. The Commission recommends technical changes as listed below.

   a. 53-123.05: Add that license can be electronically sent
   b. 53-123.15: Add that license can be electronically sent
   c. 53-123.17: Add that license can be electronically sent
   d. 53-123.12: Remove "triplicate original"
   e. 53-124.12: Remove "triplicate original"
f. 53-131: Add that license can be electronically sent

g. 53-132: Add that license can be electronically sent

h. 53-135: Remove “triplicate original”

i. 53-138: Add that license can be electronically sent

j. 53-180.04; 53-148.01: Change that posters can be provided electronically – may need to review poster size requirements.

k. Remove notary public signature requirements.

3) FARM WINERY ACT UPDATES AND SDL USAGE
Currently the Nebraska Farm Winery Act prohibits a Nebraska winery from obtaining an additional retail license. Therefore, Farm Wineries utilize an extraordinary number of SDL’s for events such as weddings, concerts, and festivals. These licensees are thus using SDL’s for consumption of other products not produced at the winery. We hold that a bifurcation of the current Y license into two would address the issue. The Y-1 license would be the same as the current. While the Y-2 would allow the winery to obtain an additional retail license but would lose its current self-distribution rights and would then be similar in nature to the Class L brew pub license.

4) NANO BREWERY LICENSE
There are as of this date of this letter 66 class L Brew Pub license holders. One of the concerns raised to the Commission is that small, often newer, breweries are having difficulties in accessing the distribution tier. It also seems that often these small breweries are not attractive to the wholesale tier. To address this issue the Commission recommends the creation of a nano-brewery license. Said license would be limited to 250 barrels (3,444 cases) of production but would be able to self-distribute the beer manufactured at the brewery.

5) S-1 LICENSE AND APPLICATION FEES
One of the complaints the Commission receives is from small, out of state manufacturesses who seek to ship to Nebraska citizens is that our $500 license fee is too high. It appears we have the second highest fee in the nation, and it is incredibly high when compared to neighboring states. For example, both South Dakota and Iowa charge a $100 fee for direct shipping rights. The Commission believes that a reduction to $100.00 is more equitable and would increase compliance. Alternatively, the S-1 license could be a graduated cost based on the amount sold in Nebraska. It is conceivable that all shipping licensees may be graduated in the future. Also, the Commission believes that a review of the cost of an application should be reviewed and, if needed, increased to reflect actual cost. Four separate state agencies are involved in processing an application for a retail license and the last time this fee was reviewed was in 2010. We believe that the estimated cost would be close to $500.00.
6) **CATERING ENDORSEMENT**
The Class K "Catering Endorsement" allows a license to obtain more than six (6) SDL's per year. The current cost of the endorsement is $100. However, many holders of the Class K only have 12-20 SDL's while others pull well over a hundred or more. The Commission believes that a graduated approach where different levels of the K license exist to more fairly reflect the value of the endorsement. In the alternative, a possible permit fee based on the number of "mobile bars" may be the appropriate manner to ensure fairness.

7) **MANDATORY SERVER TRAINING**
The Commission believes that Mandatory Server Training of employees of licensees should be enacted. Having all employees involved in the sale or serving of alcohol and complete a certified course would be a benefit to the overall safety and welfare of the general public.

8) **CASH FUNDED AGENCY**
Currently the Commission is funded as a normal General Fund Appropriation. With the continued growth of the regulated marketplace the possibility of becoming a cash funded agency based on a percentage of the excise taxes collected would guarantee adequate funding to provide needed regulation for public health, safety and welfare.

9) **CANNABIS**
If Nebraska makes the decision to allow cannabis, the Commission believes it should be regulated in a similar fashion to alcohol and that the Commission should regulate the product. The CAMP project will allow us to effectively license and enforce Cannabis regulation.

Thank you for your consideration of our recommendations. We will work with you on the drafting of language or provide you with any further information that is requested.

Sincerely,

**NEBRASKA LIQUOR CONTROL COMMISSION**

Kim Lowe  
Commissioner

Bruce Bailey  
Chairman

Harry Hoch  
Commissioner