

Approved: Jan. 20, 1994
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Chairman Lana Oleen at 11:05 a.m. on January 18, 1994 in Room 254-E of the Capitol.

All members were present except:
Sen. Hensley

Committee staff present: Mary Galligan, Legislative Research Department
Jeanne Eudaley, Committee Secretary

Others attending: See attached list

Conferees appearing before the committee:
Jim Conant, Chief Administrative Officer, Dept. of Revenue, ABC

Sen. Oleen announced the committee will hear a briefing on instant bingo and introduced Jim Conant. Mr. Conant briefed the committee on instant bingo and referred to audit statistics attached to his testimony (Attachment 1). Sen. Gooch asked the cost of administration of instant bingo, and Mr. Conant replied the additional cost was minimal and pointed out the agency did have to print new forms and spent a small amount of time putting instant bingo on their data base. He stated the audits can be done at the same time as other audits and that the agency already receives tax reports, so the additional tax reporting is minimal. Mr. Conant replied the agency made no capital outlay and no additional personnel were hired to administer instant bingo. He did state he has no figure amount as to the in-depth audits, since none have been done. Sen. Parkinson asked why the 1% instant bingo tax was collected and why the 1% figure was used. Mr. Conant answered he did not know why the 1% rate was used - the bingo industry representatives would have to answer. Ron Hein, representing the Coalition for Instant Bingo, stated the payout rate was considered and the cost of running the operation. He stated a higher tax would result in less sales and be a deterrent. He also stated the 1% tax is in addition to the sales and local taxes, bringing the total taxes to 6 - 7%. Sen. Vidricksen pointed out the 1% tax is collected up front from the distributor and the sales tax is collected from the consumer. Sen. Oleen stated there is no sales tax collected from lottery tickets. She also stated Kansas no longer has a Sunset Review, and instead has repealers which state when that law will end. In the case of instant bingo, it will stop in 1994. Sen. Oleen then asked Charles Yunker from the American Legion if there were problems regarding instant bingo for his association. Mr. Yunker replied there has been no problems; it has generated additional revenue and has not hurt the Lottery. He stated it is a win - win situation. Mr. Hein stated there was concern as to constitutionality, and the Attorney General did a file suit questioning constitutionality. Mr. Hein stated the judge ruled from the bench from briefings filed and concluded instant bingo was constitutional, and Mr. Hein stated he understands that will not be appealed. Sen. Jones stated it seems if something is working and generates income, we need to keep it and that we need to do away with the repealer. Sen. Jones made motion the repealer be eliminated on instant bingo, and it was seconded by Sen. Ramirez; the motion passed. Legislation will be drafted to eliminate the repealer for instant bingo.

Sen. Oleen announced the committee will consider bills for introduction, and recognized Jim Conant. Mr. Conant presented a proposal (Attachment 2), regarding the sale of liquor on Election day, and stated the ABC's main objective is to make the law consistent - that they could go either way on their proposal. The one he is proposing removes the prohibition of liquor sales on Election day. Sen. Oleen recalled the committee has discussed the inconsistencies of the Election day liquor sales law, and Sen. Jones agreed the committee should consider making the law consistent. Sen. Vidricksen made a motion the ABC proposal be introduced as a committee bill, and it was seconded by Sen. Parkinson; the motion passed.

Sen. Oleen called the committees' attention to the Committee Minutes of January 12 [REDACTED]. Sen. Gooch made a motion the Minutes be approved, and it was seconded by Sen. Praeger; the motion passed.

Sen. Jones introduced pages, who are assisting the committee today, from his district. Sen. Oleen introduced Kim Perkins, a student from the University of Kansas, who is her intern for the session.

Meeting adjourned at 11:30.

GUEST LIST

COMMITTEE: Senate Federal & State Affairs

DATE: JAN. 18, 1994

[illegible]

STATE OF KANSAS

Attach. 1

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Department of Revenue
Division of Alcoholic Beverage Control

MEMORANDUM

TO: The Honorable Lana Oleen, Chairperson
Senate Committee on Federal & State Affairs

FROM: Jim Conant, Chief Administrative Officer
Alcoholic Beverage Control Division

DATE: January 18, 1994

SUBJECT: Instant Bingo

Instant bingo, a pull-tab type of game authorized for bingo licensees, began play on July 1, 1993. Despite a legal question regarding its constitutionality, the game has been implemented with relatively few problems. The enabling legislation (Senate Bill 181) included a 1% tax on the game, reporting requirements for all licensees and administrative penalties for violations of the bingo laws. The bill also included a sunset clause which will bring the game to an end by July 1, 1994.

Instant bingo began in July with 17 distributors and 565 retail-level licensees authorized to operate. As of December 31, distributors numbered 20 with retailers also relatively unchanged at 574. Tax revenues from instant bingo for the first 5 months were \$48,047 on sales of \$4,804,700. Call bingo sales increased for the same period with monthly averages up about \$160,110. FY 94 total bingo tax collections to date reflect an average increase of \$14,215 per month on monthly sales averaging \$1,121,050 above last year. A more detailed statistical overview of the bingo industry in Kansas is attached for your review.

Spot checks indicate that reporting routines are functioning as expected in support of tax collection processes. Collection of the 1% instant bingo tax from the distributor is significantly streamlined in comparison to the tax collected at the retail level. On-premise inspections find most operational problems to be technical in nature, with questions relating to hours of operation for instant bingo and revised tax reporting and payment procedures.

In summary, instant bingo has been fairly effortlessly integrated into the state's licensed bingo operations. Total sales, including traditional call bingo, have increased. Regardless of final legislative action on the sunset provisions for instant bingo, compliance audits will be conducted after a full year of operation under the new reporting requirements. These tracking mechanisms will continue to provide cost-effective processing and audit support for traditional bingo games and, if authorized, continued operation of instant bingo.

Senate Fed. State
Jan 18, 1994
Attachment #1

Number of Bingo Licensees by Organization Type

	03/01/86		02/02/88		03/26/91		01/06/93		01/03/94	
	No.	%	No.	%	No.	%	No.	%	No.	%
<u>Religious</u>	73	12%	70	12%	66	12%	61	11%	59	10%
Catholic	71		67		65		60		58	
Protestant	0		1		0		0		0	
Jewish	2		2		1		1		1	
Other	0		0		0		0		0	
<u>Educational</u>	11	2%	9	2%	9	2%	8	1%	9	2%
Catholic Schools	9		7		6		6		9	
Public Schools	2		2		3		0		0	
Other Private Schools	0		0		0		2		0	
<u>Veterans</u>	230	39%	221	38%	216	38%	215	39%	218	38%
American Legion	134		131		123		119		119	
VFW	81		79		83		84		87	
Other	15		11		10		12		12	
<u>Fraternal</u>	163	28%	161	28%	163	29%	160	29%	161	28%
Knights of Columbus	47		49		47		45		45	
Elks (BPOE)	28		28		23		22		22	
Eagles (FOE)	43		41		44		44		42	
Moose	13		13		14		16		15	
Other	32		30		35		33		37	
<u>Charitable</u>	115	19%	120	21%	109	19%	110	20%	127	22%
Optimists	11		10		10		11		11	
Lions	14		10		10		12		10	
PTA's	13		13		8		3		6	
Other	77		87		81		84		100	
Grand Totals	592		581		563		554		574	

Kansas Bingo Statistics

Prepared by the Bingo Enforcement Unit
Division of Alcoholic Beverage Control
Kansas Department of Revenue

Sales, Tax Revenues and Number of Licensees By Fiscal Year

<u>FY Ending</u>	<u>Total Sales From Bingo Reported</u>	<u>Change From Previous Year</u>	<u>3% Bingo Enf. Tax Collected</u>	<u>Number of Licensees At End of FY</u>
6/30/83	\$26,845,000	+7%	\$805,350	---
6/30/84	\$27,241,000	+2%	\$817,244	---
6/30/85	\$26,985,000	-1%	\$809,555	634
6/30/86	\$24,408,000	-8%	\$741,884	548
6/30/87	\$25,397,000	+4%	\$773,938	537
6/30/88	\$25,362,000	0%	\$763,335	570
6/30/89	\$26,452,000	+4%	\$794,676	587
6/30/90	\$27,181,000	+3%	\$815,422	---
6/30/91	\$28,148,000	+4%	\$844,454	---
6/30/92	\$29,954,000	+6%	\$898,627	550
6/30/93	\$30,347,000	+1%	\$912,780	565

Analysis of Bingo Licensees and Registered Premises

	<u>Parlor-type*</u>		<u>Other</u>		<u>Licensees</u>	<u>Total</u>	
	<u>Registered</u>	<u>Premises</u>	<u>Registered</u>	<u>Premises</u>	<u>Playing</u>	<u>No. of</u>	<u>Total</u>
	<u>No. of</u>	<u>No. of</u>	<u>No. of</u>	<u>No. of</u>	<u>on Own</u>	<u>Registered</u>	<u>No. of</u>
	<u>Premises</u>	<u>Licensees</u>	<u>Premises</u>	<u>Licensees</u>	<u>Premises</u>	<u>Premises</u>	<u>Licensees</u>
04/10/90	21	77 (11%)	14	12 (2%)	485 (87%)	35	574
03/10/92	25	78 (14%)	8	11 (2%)	465 (84%)	33	554
01/06/93	29	83 (15%)	7	9 (2%)	462 (83%)	36	554

* "Parlors" are defined as facilities operated privately by "for profit" businesses. They do not include facilities operated by government entities or nonprofit organizations.

Bingo Statistics - FY94

<u>Month of Sales</u>	<u>Month Received</u>	<u>Call Bingo</u>		<u>Instant Bingo</u>		<u>Call + Instant Bingo</u>	
		<u>Sales</u>	<u>3% Tax</u>	<u>Sales</u>	<u>1% Tax</u>	<u>Sales</u>	<u>Taxes</u>
Jul	Aug	\$ 2,644,833	\$ 79,345	\$ 271,300	\$ 2,713	\$ 2,916,133	\$ 82,058
Aug	Sept	2,326,433	69,793	1,943,700	19,437	4,270,133	89,230
Sep	Oct	2,587,400	77,622	1,055,500	10,555	3,642,900	88,177
Oct	Nov	2,577,300	77,319	897,800	8,978	3,475,100	86,297
Nov	Dec	3,309,167	99,275	636,400	6,364	3,945,567	105,638
Dec	Jan						
Jan	Feb						
Feb	Mar						
Mar	Apr						
Apr	May						
May	Jun						
Jun	Jul						
Totals to date:		\$ 13,445,133	\$ 403,354	\$ 4,804,700	\$ 48,047	\$ 18,249,833	\$ 451,401
Monthly Ave.:		\$ 2,689,027	\$ 80,671	\$ 960,940	\$ 9,609	\$ 3,649,967	\$ 90,280
FY93 Monthly Average:		\$ 2,528,917	\$ 76,065	none	none	\$ 2,528,917	\$ 76,065

J. Conant
Attac. 2

**Alcoholic Beverage Control Division
Legislative Proposal - Election Day Sales**

Section 1. K.S.A. 41-712 is hereby amended to read as follows: 41-712. No person shall sell at retail any alcoholic liquor: (1) ~~On the day of any national, state, county or city election, including primary elections, during the hours the polls are open, within the political area in which such election is being held;~~ (2) on the first day of the week, commonly called Sunday; (3) 2) on Decoration or Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day; and (4) 3) before nine (9) o'clock a.m. or after eleven (11) p.m. on any day when the sale is permitted: Provided,

That the governing body of any city may require closing prior to eleven (11) o'clock p.m. by ordinance, but such ordinance shall not require closing prior to eight (8) o'clock p.m.

Section 2. K.S.A. 41-2704 is hereby amended to read as follows: 41-2704. (a) In addition to and consistent with the requirements of this act, the board of county commissioners of any county or the governing body of any city may prescribe hours of closing, standards of conduct and rules and regulations concerning the moral, sanitary and health conditions of places licensed pursuant to this act and may establish zones within which no such place may be located.

(b) Except as provided by subsection (g), no cereal malt beverages may be sold:

(1) Between the hours of 12:00 midnight and 6:00 a.m.;

(2) on Sunday, except in a place of business which is licensed to sell cereal malt beverage for consumption on the premises, which derives not less than 30% of its gross receipts from the sale of food for consumption on the licensed premises and which is located in a county where such sales on Sunday have been authorized by resolution of the board of county commissioners of the county or in a city where such sales on Sunday have been authorized by ordinance of the governing body of the city; or

~~(3) on the day of any national, state, county or city election, including primary elections, during the hours the polls are open, within the political area in which such election is being held.~~

(c) No private rooms or closed booths shall be operated in a place of business, but this provision shall not apply if the licensed premises are also currently licensed as a club pursuant to the club and drinking establishment act.

(d) Each place of business shall be open to the public and to law enforcement officers at all times during business hours, except that a premises licensed as a club pursuant to the club and drinking establishment act shall be open to law enforcement officers and not to the public.

(e) No licensee shall permit a person under the legal age for consumption of cereal malt beverage to consume or purchase any cereal malt beverage in or about a place of business, and no licensee shall permit a person under the legal age for consumption of cereal malt beverage to possess cereal malt beverage in or about a place of business, except that a licensee's employee who is not less than 18 years of age may dispense or sell cereal malt beverage, if:

(1) The licensee's place of business is licensed only to sell cereal malt beverage at retail in original and unopened containers and not for consumption on the premises; or

(2) the licensee's place of business is a licensed food service establishment, as defined by K.S.A. 36-501 and amendments thereto, and not less than 50% of the gross receipts from the licensee's place of business is derived from the sale of food for consumption on the premises of the licensed place of business.

(f) No person shall have any alcoholic liquor in such person's possession while in a place of business, unless the premises are currently licensed as a club or drinking establishment pursuant to the club and drinking establishment act.

(g) Cereal malt beverages may be sold on premises which are licensed pursuant to both the acts contained in article 27 of chapter 41 of the Kansas Statutes Annotated and the club and drinking establishment act at any time when alcoholic liquor is allowed by law to be served on the premises.

Senate Fed. STATE
JAN. 18, 1994
Attachment # 2