Approved: 3-23-11
Date

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on February 15, 2011, in Room 144-S of the Capitol.

All members were present except:
Senator Steve Morris- excused

Committee staff present:
Jason Long, Office of the Revisor of Statutes
Doug Taylor, Office of the Revisor of Statutes
Dennis Hodgins, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Connie Burns, Committee Assistant

Conferees appearing before the Committee:
Arthur Hall, PhD, University of Kansas
Mike Moon, Moon's Hometown Market
Jim Puff, Puffy's Steak and Ice House/Alma Food Mart
Gratz Peters, Pete's Corp
Mike Thornbrugh, Quiktrip Corporation
Mike Braxmeyer, Williams Brothers Supermarket
Gary Krueger, G.A. Krueger, Inc.

Others attending:
See attached list.

Doug Jorgensen, Acting State Fire Marshall, provided responses to requests from the committee on January 11, 2011. (Attachment 1)

Introduction of Bills

Senator Reitz requested a bill introduction concerning counties relating to acceptance of credit and debit cards.

Senator Reitz moved that this request should be introduced as a committee bill. Senator Abrams seconded the motion. The motion carried.

SB 54 - Creating classes of license to sell alcoholic beverages at retail; fees, term and eligibility

Staff provided an overview of the bill. (Attachment 2)

Chairman Brungardt opened the hearings on **SB 54**

Arthur Hall, PhD, Center for Applied Economics, University of Kansas School of Business, appeared before the committee as a proponent on the bill. (Attachment 3) Dr. Hall briefed the committee on the study "An Economic Case for Increased Competition in the Sale of Beer, Wine and Spirits in the State of Kansas". This study of the deregulation of the sale of beer, wine and spirits estimates that statewide retail transformation and expansion will add more than 15,000 jobs, more than $340 million in workers' wages, and more than $70 million in annual state and local tax revenues. Deregulation would bolster rural communities and improve economic competitiveness along Kansas' border regions, particularly within the Kansas City metropolitan Area.

There is no evidence to suggest that deregulation of beer, wine and spirits' sales will change prevailing alcohol consumption patterns, only shopping patterns.

Mike Moon, Moon's Hometown Market, Osawatomie, Kansas, spoke in favor of the bill. (Attachment 4)

The minutes of the Federal and State Committee at 10:30 a.m. on February 15, 2011, in Room 144-S of the Capitol.

Mr. Moon stated bullet points of issues in the bill:

- would not doom liquor stores to extinction
- there will be argument that the change in legislation may put a liquor owner's personal investment at risk
- will allow current liquor store owners a business growth opportunity that they do not enjoy today
- allows other current liquor operators an exit strategy
- grocery stores are struggling, and in some communities, their very survival is at risk
- there is no evidence that the increased availability of liquor equates to an increase in consumption
- there is an expectation of increased liquor sales in Kansas
- Grocers can be counted on to regulate the sale of liquor to underage persons
- The bill will be great for Kansas consumers

Mr. Moon stated that he needs this bill to assist his chance of survival and provide access to all the tools to be competitive with.

Jim Puff, Puffy's Steak and Ice House and Alma Food Mart, spoke in favor of the bill. (Attachment 5) Mr. Puff stated that updated laws on beer, wine and spirits could significantly improve the bottom line of his store and others like it.

Gratz Peters, Pete's Corp/Board of Directors PMCA, appeared in support of the bill. (Attachment 6) The bill allows liquor stores to sell everything that grocery and convenience stores currently sell, creating even more competition in the Kansas market place; Pete's Corporation will compete and offer customers what they want. It is time for liquor store owners to do the same in the best interests of their customers and the Kansas economy.

Mike Thornbrugh, QuikTrip Corporation, testified in support of the bill. (Attachment 7) The bill is really about two things: the creation of jobs and giving consumer the choice. It is not about protecting an industry from competition. Mr. Thornbrugh stated that QuikTrip has currently 38 locations in Wichita and 74 locations in the Kansas City metropolitan area, unfortunately only 22 stores are located in Kansas. A business only has a finite amount of capital and must go where the return on investment can be justified. QuikTrip tore down a million-dollar store in Kansas City, Kansas, and moved the location a hundred feet into Missouri; the reason being the restrictive laws in Kansas which create an unlevel playing field of competition.

Mike Braxmeyer, Williams Brothers Supermarket, Atwood, Kansas, testified in favor of the bill. (Attachment 8) Mr. Braxmeyer urged the support of the bill for industry's sake and also for the State of Kansas; it would also allow liquor locations the opportunity to expand with additional sales in food and beverage items that many would take advantage of.

Gary Krueger, G. A. Krueger, Inc., spoke in favor of the bill. (Attachment 9) Mr. Krueger stated that he owns two stores; one on State Line Road in Kansas City, Missouri, and one in Overland Park, Kansas; and he does not sell liquor, specifically beer in Kansas, in either of his two stores. His response to inequitable retail taxes along the state border and growing competition was to "reinvent" the manner in which he conducted business.

Written Testimony in support of the bill.

Bob Alderson, Casey General Stores, provided written testimony amending the bill. (Attachment 10)
Gary Haag, Haag Oil Company, LLC, provided written testimony in support of the bill. (Attachment 11)
Jane Blinzler, Leawood, Kansas, provided written testimony in support of the bill. (Attachment 12)
Tim Schaeffer, Executive Vice President, RED Brokerage, LLC, provided written testimony in favor of the bill. (Attachment 13)
Thomas Valenti, Principal, Cameron Group LLC, provided written testimony in support of the bill. (Attachment 14)
Tony Krsnich, President, Landmark Investment Group, LLC, provided written testimony in support of the bill. (Attachment 15)
Michael T. Egan provided written testimony in support of bill, and will help retailers compete on the

border. (Attachment 16)

Chairman Brungardt continued the hearings on **SB 54.**

The next meeting is scheduled for February 16, 2011. The meeting was adjourned at 11:55 a.m.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE 2-15-11

NAME	REPRESENTING
Kurt Major	Petes
Autumn Rogers	Petes
Zanch Major	Petes
Laura Lewis	Petes
Phil Bradley	KLBA, KUFWA, KCBG
Nick Duncan	KS Wine & Spirits Wholesalers Assn
Jim Dorsey	Glazers Distributors of Kansas
Spencer Duncan	Keep Kansans in Business
George Waters	Glass House Liquor - Lawrence
Rachel Pearson	Petes
[illegible]	"
[illegible] Peters	PETES
[illegible] Peters	Pete's
Ella Wilson	Petes
Pat & Lynda Devlin	Devlin Liquor Store
John Hoytal	KAK Liquor
[illegible]	SCOTKS
[illegible] L [illegible]	Westside Liquor Store
Patricia C Drake	Topeka Club liquor
David R Drake	" "
CHRISTIAN WALTER	MYERS RETAIL LIQUOR - LAWRENCE
PAUL BENNER	SPIRIT LIQUOR - LAWRENCE
Tom Kessler	Toms Wine & Spirits
Rachel Kessler	Wichita, KS
Stacey Harlow	Twisted H Liquor / KABR / Satanta KS
[illegible]	KABR

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE 2-15-11

NAME	REPRESENTING
Rodney A. Robson	Jo's Liquor Canny / K.A.B.R. - President
Maxine Simhiser	Pete's
Brenda Elsworth	Coalition for Jobs & Consumer Choice (Pete's C-Stores)
Magie Seest	Auburn Spirits
Sean Murphy	Murphy Liquor Exchange
Brenda Peters	Petes Corp
Mark Powers	Carter Energy
Dave Achten	Carter Energy GRP.
Bob Anderson	Casey's General Stores
Mel Minor	Capitol advantage
[illegible]	Hy-Vee
[illegible]	[illegible]
Ken Lerman	Auburn Spirits
Gary Okorny	Auburn spirits / Real Estate
Marty Street	Hy Vee Inc
[illegible]	Hy-Vee Food Stores Inc
Andrew Yochum	Hy-Vee, Inc.
Mark S. Millsap	Hy-Vee, Inc.
Todd G Wagner	Hy-Vee, Inc.
Rob Eslick	Hy-Vee, Inc
Gary Haas	Haas oil Company
Grete Peters	Petes Corporation, PMCA
Jim Puff	ALMA Food Mart
Michael Moon	Moon's Hometown Market
Mike Thornbrugh	QuikTrip
Amanda Thron	Pete's Corp

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE 2-15-11

NAME	REPRESENTING
Lois Ann Beal	
DAVE MILLIGAN	CARTER ENERGY
MARVIN SPEES	CAPITAL CITY OIL
Joe Mosimann	PMCA of KS

(1)

700 SW Jackson, Suite 600
Topeka, KS 66603

Doug Jorgensen, Fire Marshal

Kansas

Office of The State Fire Marshal

phone: 785-296-3401
fax: 785-296-0151
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Sam Brownback, Governor

Senator Pete Brungardt
Chairman, Senate Federal and State Affairs
Room 136-E, State Capital Building
Topeka, Kansas

Senator Brungardt,

I want to thank you and the committee members for the opportunity of discussing the current status of the State Fire Marshal's Office and answering committee member's questions on January 11, 2010. During that meeting, there were a number of questions that I, or my staff, were not able to answer. I would like to answer and address those questions for you and the committee.

1. How many positions does the KSFM have in the agency, and how many are not filled?

- The KSFM's office has 53 Full-time Employees (FTE). There are currently 9 vacant positions do to funding limitations.
  - 2- Deputy State Fire Marshals
  - 1- Assistant Attorney General
  - 2- Administrative Specialists
  - 1- Database Administrator II
  - 1- Fire Investigator
  - 2- Fire Prevention Inspectors

The Governor's budget recommendation includes the loss of 5 of those FTE's.

2. How is the funding source for the KSFM's office distributed?

- The KSFM's office receives no general fund monies. Our funding comes from a 1.25% insurance premium levee which is collect by the Insurance Commissioner's office and distributed in December and June each year to the KSFM, the Board of EMS, and KU Fire Service Training. The current split of the 1.25% received is:

80%	KSFM
25%	Board of EMS
20%	KU Fire Service Training

There is also an administrative fee of 20%, not to exceed $200,000.00 which is transferred from this fund to the general fund each year. Until this fiscal year, that fee was un-proportionately taken just from the KSFM's 80%. Last Legislative session, through the appropriations bill, the $200,000.00 was directed to be taken from the fund before any distribution to the agencies. The KSFM's office would like to see this procedure become permanent. Two bills, SB322 and HB2387 were introduced last session to accomplish this but they were never finalized. (copies attached)

Sn Fed & State
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2-15-11

3. How is the funding used by the KSFM's office?

- The percentage make-up of the KSFM's office funding is the following:

Administration	21%
Investigations	25%
Prevention	41%
Hazmat	13%

4. Which Legislative committees have previously addressed the budget/funding issues?

Senate Ways and Means
House Appropriations Committee
2008 Legislative Budget Committee
2010 Legislative Budget Committee

The KSFM's office has in past years run a negative balance at the end of the fiscal year and has started new fiscal years with less money than was needed to effectively support the agency. In May of 2004, a loan of $250,000.00 was authorized from the State Hazmat fund which as of today has still not been paid back. In some of the other years a temporary loan has been secured from the state general fund and then paid back as funding was received from the Insurance fund. The only way the KSFM's office has been able to operate is by keeping all of the above vacant positions unfilled.

The KSFM's office would like to make one final recommendation reference the budget/funding issue (included in our current budget narrative). The KSFM's office would ask that an increase from 1.25% to 1.35% be collected into the Insurance Premium Fund with the total .10% increase going solely to the KSFM's office. This would increase the KSFM's budget by approximately $544,000.00 which would allow us to pay back the Hazmat fund loan, fill the open positions we currently have and also establish a funding source for the State Wide Hazmat clean-up Fund, for which there is currently none.

Sincerely,

Doug Jorgensen

Doug Jorgensen
Kansas State Fire Marshal

SENATE BILL No. 322

By Committee on Ways and Means

3-17

AN ACT concerning fire insurance premiums; relating to the emergency medical services board operating fund and the fire service training program fund; amending K.S.A. 2008 Supp. 75-1514 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2008 Supp. 75-1514 is hereby amended to read as follows: 75-1514. (a) The commissioner of insurance shall remit all moneys received by the commissioner under ~~subsection (a) of~~ K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury ~~to the credit of the fire marshal fee fund for the fiscal years ending June 30, 2003, and June 30, 2004, and the state treasurer shall credit 20%~~. *Twenty percent* of each such deposit *shall be credited* to the state general fund and ~~shall credit the remainder of each such deposit~~ *the balance shall be credited as follows:*

(1) 64% to the fire marshal fee fund ~~for the fiscal year ending June 30, 2005, and ensuing fiscal years~~*;*

(2) 20% to the emergency medical services board operating fund; and

(3) 16% to the fire service training program fund.

(b) There is hereby created the fire marshal fee fund in the state treasury. All expenditures from the fire marshal fee fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state fire marshal or a person or persons designated by the state fire marshal.

~~(c) The commissioner of insurance shall remit all moneys received by the commissioner under subsection (b) of K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the emergency medical services board operating fund.~~

~~(d) The commissioner of insurance shall remit all moneys received by the commissioner under subsection (c) of K.S.A. 75-1508, and amend-~~

~~ments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fire service training program fund.~~

Sec. 2. K.S.A. 2008 Supp. 75-1514 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

Session of 2009

HOUSE BILL No. 2387

By Committee on Appropriations

3-17

AN ACT concerning fire insurance premiums; relating to the emergency medical services board operating fund and the fire service training program fund; amending K.S.A. ~~2008~~ **2009** Supp. 75-1514 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. ~~2008~~ **2009** Supp. 75-1514 is hereby amended to read as follows: 75-1514. (a) The commissioner of insurance shall remit all moneys received by the commissioner under ~~subsection (a) of~~ K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury ~~to the credit of the fire marshal fee fund for the fiscal years ending June 30, 2003, and June 30, 2004, and the state treasurer shall credit 20%.~~ *Twenty percent* of each such deposit *shall be credited* to the state general fund and ~~shall credit the remainder of each such deposit~~ *the balance shall be credited as follows:*

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~~(c) The commissioner of insurance shall remit all moneys received by the commissioner under subsection (b) of K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the emergency medical services board operating fund.~~

~~(d) The commissioner of insurance shall remit all moneys received~~

~~by the commissioner under subsection (c) of K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fire service training program fund.~~

Sec. 2. K.S.A. ~~2008~~ **2009** Supp. 75-1514 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

KANSAS LEGISLATIVE RESEARCH DEPARTMENT
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October 14, 2010

To: Legislative Budget Committee

From: Aaron Klaassen, Senior Fiscal Analyst

Re: Fire Insurance Premiums

Prior to 2002, KSA 75-1508 required each fire insurance company doing business in Kansas to pay a levy not to exceed 1.25 percent of the gross cash receipts on all fire business transacted by the company in the preceding calendar year. The levy was remitted to the Insurance Commissioner on or before March 15 of each year. This funding was transferred to the State Fire Marshal, and was utilized to support the operations of the Fire Marshal's Office.

KSA 75-1508 was amended by the 2002 Legislature reducing the portion received by the Fire Marshal from 1.25 percent to 1.0 percent, and providing the remaining 0.25 percent to the Emergency Medical Services (EMS) Board in support of its operations. At the time, the 0.25 percent was estimated to provide $750,000 annually to the EMS Board.

KSA 75-1508 was further amended by the 2004 Legislature to reduce the amount received by the Fire Marshal from 1.0 percent to 0.8 percent. The remaining 0.2 percent is transferred to the Fire Services Training Institute at the University of Kansas. During FY 2003 and FY 2004, the Fire Services Training Institute was supported with a transfer of $750,000 from the Fire Marshal Fee Fund which was discontinued beginning in FY 2005. In addition, the statute was amended to require the Fire Services Training Institute to submit an annual report of expenditures and activities to the House Appropriations Committee on or before February 1 of each year beginning in 2005.

KSA 75-1514 requires that 20 percent of the receipts received from the fire insurance premium levy, with a cap of $200,000, be remitted to the State General Fund. This transfer is intended to reimburse State General Fund financed agencies for administrative services provided to this agency. KSA 75-1514 specifies that this amount shall be transferred from the portion of the funding credited to the Fire Marshal Fee Fund.

The table on the next page shows the amounts from the fire insurance premium levy received by each agency, and the amount credited to the State General Fund from FY 2000 through the FY 2011. KSA 75-1514 abolished the State General Fund transfers for FY 2003 and FY 2004.

FY	SGF	Fire Marshal	EMS	KU F&RT	TOTAL
2000 act.	$200,000	$3,441,816	-	-	$3,641,816
2001 act.	200,000	3,741,088	-	-	3,941,088
2002 act.	200,000	4,194,396	-	-	4,394,396
2003 act.	-	4,979,219	-	-	4,979,219
2004 act.	-	4,449,340	622,269	419,198	5,490,807
2005 act.	200,000	3,376,228	1,119,049	895,080	5,590,357
2006 act.	200,000	3,428,131	1,133,791	907,033	5,668,955
2007 act.	200,000	3,486,720	1,150,221	920,176	5,757,117
2008 act.	200,000	3,572,989	1,179,059	943,249	5,895,279
2009 act.	200,000	3,762,617	1,238,318	990,654	6,191,589
2010 act.	200,000	4,017,388	1,317,933	1,054,347	6,589,668
2011 est.*	200,000	4,224,000	1,320,000	1,056,000	6,800,000

* 2011 Estimates reflect action taken in 2010 House Substitute for Senate Bill No. 572

2010 House Sub. for SB 572 includes a one-year proviso for FY 2011 that distributes the $200,000 State General Fund administrative services fee (KSA 75-1514) across the three agencies it supports by the proportion of the levy each agency receives rather than being solely charged to the State Fire Marshal's portion. (Fee distribution at the current proportion: $128,000 State Fire Marshal, $40,000 Emergency Medical Services Board, $32,000 University of Kansas Fire and Rescue Training Institute).

(2)

MARY ANN TORRENCE, ATTORNEY
REVISOR OF STATUTES
JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR
GORDON L. SELF, ATTORNEY
FIRST ASSISTANT REVISOR

OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

Summary of Senate Bill 54
Alcoholic Beverage Retailers Licensure

Jason B. Long
Senior Assistant Revisor
Office of Revisor of Statutes

February 1, 2011

Senate Bill 54 creates a new system for licensure of entities to sell alcoholic beverages at retail. Currently, there is a single retailer's license that is issued by the Division of Alcoholic Beverage Control (ABC) to qualified applicants on a biennial basis. The bill creates three separate classes of licenses to sell alcoholic beverages at retail, and amends other statutes regarding the qualifications and operation of licensees under the different classes.

Three Classes of Licenses

Sections 1 through 7 of the bill create three classes of licenses to sell alcoholic liquor at retail. The change from a single license to three classes is to be phased in over a three-year period. The initial step is Section 1 of the bill. This section imposes a cap on the number of retailer's licenses ABC can issue on and after July 1, 2011. Starting on July 1, 2011, ABC cannot issue anymore licenses than the number of valid licenses issued as of June 30, 2011. A new license would only be issued if a previously issued license were revoked, surrendered or expired without renewal.

On January 1, 2012, the new class system becomes effective. All retailer's licenses as of December 31, 2011, will become Class C licenses. Also, ABC may issue Class A and Class B

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licenses starting January 1, 2012. Class A licenses will authorize the licensee to sell beer as the only alcoholic beverage. Class B licenses will authorize the licensee to sell beer and wine as the only alcoholic beverage. Class C licenses will authorize the licensee to sell any alcoholic beverages the same as retailers are currently authorized to do. Additionally, all licensees will be authorized to sell other goods and services on the licensed premises.

The cap on retailer's licenses imposed by Section 1 of the bill will continue and apply to Class C licenses from January 1, 2012, to December 31, 2014. (There will be no cap on the number of Class A and Class B licenses ABC may issue.) During this three-year period Section 3 of the bill will allow for the sale and transfer of Class C licenses. Currently, when a retail business is sold the new owner must apply and be issued a new retailer's license. Under Section 3 the buyer and seller of the Class C license will submit the relevant information to the Director of ABC for approval of the transfer along with a $25 transfer fee. The Director will verify that the buyer is qualified to hold a Class C license. Upon approval the buyer becomes the new licensee and holds the licensee for the remainder of the time for which the license is valid. Upon expiration the new licensee would apply for a renewal of the license.

Under Section 6 of the bill the cap on Class C licenses expires on January 1, 2015, and ABC may issue any number of Class C licenses to qualified applicants. The transfer provisions of Section 3, however, will remain in effect and transfer may still be conducted after January 1, 2015.

Licensee Qualifications

In addition to creating new classes of licenses, the bill also removes some of the current restrictions on licensees. Section 13 of the bill amends K.S.A. 41-311, which governs the qualifications of the various licensees under the Kansas Liquor Control Act. Subsection (a) provides general restrictions on licensees, such as prohibiting persons under 21 or persons convicted of certain crimes from holding a licensee. The bill amends the application of this section so that it is applicable to individuals, rather than persons. The distinction is that the term "person" includes all business entities, as well as individuals. The term "individual" only pertains to single, individual people; not organizations. Thus, under the bill the restrictions under subsection (a) would only be applicable to individual people.

The amendment to subsection (a) ties in with the amendment to subsection (b). Under subsection (b) certain entities are currently prohibited from holding a retailer's license, such as nonresidents of Kansas and corporations. Under the bill on January 1, 2012, such restrictions would be eliminated from the statute. The only restriction that would be left in place is the one on owning a beneficial interest in a manufacturer, distributor, farm winery or microbrewery. Thus, as of January 1, 2012, corporations, partnerships and other business entities could hold any of the classes of retailer's licenses.

Conforming Amendments

The bill amends several sections of the Kansas Liquor Control Act so that such sections conform to the new system of licensure established in Sections 1 through 7.

1) K.S.A. 41-102 is amended to add a new definition of "retailer's license", so that it includes all classes of licensure.

2) K.S.A. 41-301, 41-303 and 41-304 are amended to update the statutory language for the issuance of a retailer's license.

3) K.S.A. 41-310 and 41-317 are amended to adjust the license fee schedule and bond amount schedule to account for the three different licenses. Fees would be: $100 for Class A, $300 for Class B, and $500 (current amount) for Class C. Bond amounts would be: $500 for Class A, $1,000 for Class B, and $2,000 (current amount) for Class C.

4) K.S.A. 41-313 is amended to allow corporations to hold a retailer's license provided it complies with the resident agent requirements of that statute.

5) K.S.A. 41-326 is amended to allow for the transferability of licenses so that there is no conflict with Section 3.

6) K.S.A. 41-713 is amended to remove restrictions on employees of licensees. Under the bill employees 18 and older can sell beer and wine, but an employee must still be 21 to sell any other alcoholic liquor. Also, employees convicted of a felony would not be authorized to sell any alcoholic liquor.

Sales Tax Revenue Distribution

With the potential availability of more beer retailers there is the potential for a drop in sales of cereal malt beverage. Section 18 amends K.S.A. 79-4108 to distribute a portion of the excise tax on the retail sale of alcoholic liquor to local governments which may see a decline in the amount of sales tax revenues they receive from the sale of cereal malt beverage.

Each quarter 3% of the excise tax revenue is to be distributed to local governments as part of the regular sales tax distribution. The revenue is to be distributed based on the weighted population average. This calculation uses the population of the municipality relative to the total state population and then weights that proportion based on the total sales tax rate of that municipality.

Repealed Statutes

The bill repeals three statutes. First, K.S.A. 41-103 currently provides that alcoholic liquor cannot be sold on the same premises as cereal malt beverage. With the repeal of this section a entity could conceivably hold a license to sell both alcoholic liquor and cereal malt beverage on the same premises.

Second, K.S.A. 41-308 provides the rights of a licensee holding a retailer's license. This section is being replaced by the provisions of sections 2, 4 and 5 of the bill.

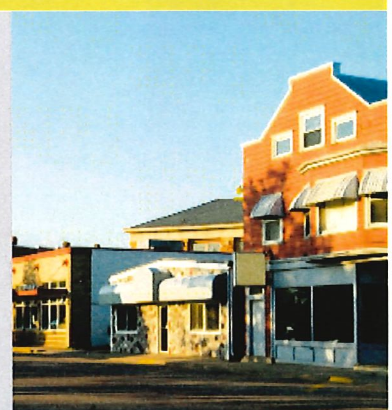
Finally, K.S.A. 41-711 provides that no alcoholic liquor is to be sold on a premises that has an open connection with another place of business. The repeal of this section is in conjunction with amendments in the bill to allow retailer's to sell goods other than alcoholic liquor.

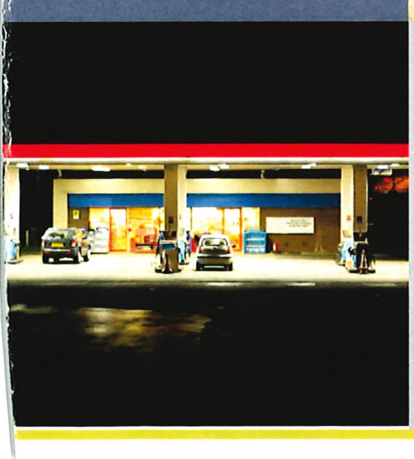
An Economic Case for Increased Competition in the Sale of Beer, Wine and Spirits in the State of Kansas

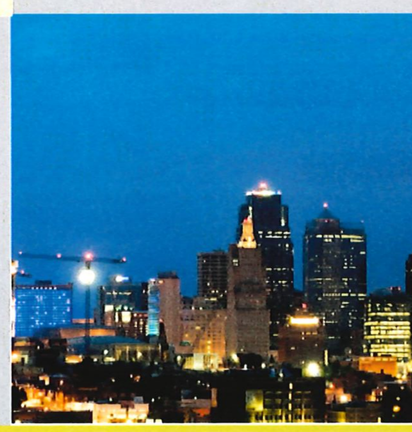
Arthur P. Hall, PhD
Executive Director of the Center for Applied Economics, University of Kansas School of Business

January 2011

Coalition for Jobs and Consumer Choice







Sn Fed & State
Attachment 3
2-15-11

Arthur P. Hall Biography

Art Hall is the founding Executive Director of the Center for Applied Economics at the University of Kansas School of Business. Dr. Hall has taught university economics at both the undergraduate and MBA level. He received his Ph.D. in economics from the University of Georgia and his B.A. in economics from Emory University.

In addition to his academic scholarship, Hall was Senior Economist at the Washington, D.C.-based Tax Foundation, where he produced quantitative and qualitative research pertaining to the economics of taxation, and acted as an economic advisor to The National Commission on Economic Growth and Tax Reform. Before that, he worked as a financial economist at the U.S. General Accounting Office.

Before joining the KU School of Business, Hall was Chief Economist in the Public Affairs group of Wichita, Kansas-based Koch Industries, Inc. In that capacity, he worked with business leaders to help define how public policy initiatives would influence the structure of the markets in which the company participates. Koch sponsored Hall's directorship of Kansas Governor Sebelius' Budget Efficiency Savings Teams from April 2003 until his departure from the firm in February 2004.

About the Coalition

Together, the Coalition for Jobs and Consumer Choice represents more than 1,700 Kansas businesses, supports over 35,000 jobs, and contributes more than $200 million in state and local tax revenue. For the first time, these businesses, including grocery stores, convenience stores, and other retailers – large and small – have come together to support the passage of updated laws regarding the sale of beer, wine and spirits.

Kansas faces a severe budget gap and a daunting unemployment rate. Reforming these outdated laws provides a common sense solution that helps create good jobs and generate significant revenue for Kansas – without raising taxes.

Overview

The Great Recession of 2007-2009 and the recessions of 2001 and 1991 have an important feature in common: "jobless recoveries." The difference is that the average duration of unemployment following the Great Recession has exceeded the previous record high by 14 weeks.

According to the most recent data reported by the U.S. Bureau of Labor Statistics, Kansas has lost 89,757 private-sector jobs—and an associated $1.3 billion in annual wages from the start of the Great Recession in December 2007.[1] On an average quarterly basis, Kansas' unemployment increased in 2010. The standard unemployment rate, representing people who are actively seeking employment but not finding it, increased from 6.8 percent to 7.2 percent, and the most comprehensive measure of state unemployment—the so-called U6 measure, including discouraged workers, those who would work if jobs were more available, and part-time workers—is 12 percent, up 0.5 percentage points from a year ago.[2]

As a result of the poor condition of both the national and state economies, the state of Kansas faces a budget shortfall of an estimated $550 million in fiscal year 2011.[3]

The appropriate policy response to the economic situation is to remove impediments to the overall competitiveness and productivity within the Kansas economy. In regard to the retail sector, one specific act would provide substantial impetus towards that goal, creating jobs for local communities, increasing overall wage earnings, and thereby increasing state tax revenues. That specific act is to bring about the end of Kansas' legal restrictions that prevent grocery and convenience stores from selling full-strength beer, wine and spirits.

This report illustrates how ending these restrictions would advance the goal of increased competitiveness and productivity, add an estimated 15,367 jobs, $343.6 million in wages, and $72.5 million in state and local tax revenue, after full economic adjustment to the repealed restrictions. (This does not take into account the economic impact and job gains derived from the construction of new stores, as discussed later in this report). And it will show how rural communities can benefit from a strengthening of the business profit potential available to currently vulnerable local grocery stores and convenience stores.

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[1] U.S. Bureau of Labor Statistics, "State and County Employment and Wages": http://www.bls.gov/data/ , accessed January 14, 2011. Description of data from BLS: "The Quarterly Census of Employment and Wages program derives its data from quarterly tax reports submitted to State Employment Security Agencies by over eight million employers subject to State unemployment insurance (UI) laws and from Federal agencies subject to the Unemployment Compensation for Federal Employees (UCFE) program. This includes 99.7% of all wage and salary civilian employment. These reports provide information on the number of people employed and the wages paid to the employees each quarter. The program obtains information on the location and industrial activity of each reported establishment, and assigns location and standard industrial classification codes accordingly. This establishment level information is aggregated, by industry code, to the county level, and to higher aggregate levels." http://www.bls.gov/cew/cewfaq.htm#Q01

[2] U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics": http://www.bls.gov/lau/stalt.htm , accessed January 14, 2011.

[3] Kansas Legislative Research Department, "Status of the State General Fund: FY2010-FY2012 Based on November 2010 Consensus Revenue Estimates and as Adjusted for Actual Receipts through December, FY 2011," January 11, 2011.

The Current Contribution of the Three Retail Sectors

Table 1 provides a 2009 snapshot of the economic contribution made by the three retail sectors under comparison. According to the Bureau of Labor Statistics, Kansas had 581 liquor stores, 449 grocery stores and 1,310 convenience stores (which, for this report, include 301 stores classified as "Country General Stores"). The analysis in this report relies on this data despite the fact that the division of Alcohol Beverage Control in the Kansas Department of Revenue reports a total of 752 issued liquor licenses.[4] The additional 171 liquor stores not counted in Kansas would further add to the current economic contribution offered by the liquor store sector reported in Table 1. This study makes no adjustment for the under-counted liquor stores because it must use reliable inter-state data comparisons.

Productivity is the key economic factor that drives higher per-employee wages. As Chart 1 illustrates, over the past three decades, compensation and productivity move together with almost perfect statistical precision. The wages in a particular industry sector offer a clear indication of the value per worker created in the sector—a measure of productivity or economic competitiveness.

While the liquor store industry fills a valuable segment of consumer demand, its overall economic contribution is quite small when compared to the grocery store and convenience store sectors—underscoring the economic desirability of generating stronger competition by deregulating the sale of beer, wine and spirits.

Grocery stores and convenience stores employ more people per store, and pay substantially higher wages per employee than liquor stores. Additional business benefits related to the sale of beer, wine and spirits would accrue: the creation of economic conditions favorable to an increase in the number of grocery stores and convenience stores, resulting in the hiring of necessary employees and payment of prevailing average wages.

In addition, hundreds of liquor stores would become more efficient, competitive and convenient for consumers, which would likely make them more profitable, leading to increases in their average number of employees at a higher average wage.

Table 1: Estimated 2009 Economic Contribution of Select Retail Sectors

	Direct Economic Contribution		Indirect Economic Contribution		Estimated State Taxes	Estimated Local Taxes
Industry	Jobs	Wages	Jobs	Wages		
Liquor Stores	2,731	$31,130,669	393	$15,617,649	$5,690,560	$4,171,828
Grocery Stores	22,123	400,603,284	5,059	200,974,799	73,228,654	53,648,937
Convenience Stores	13,647	229,527,819	3,179	127,247,723	43,429,429	31,828,714
Total	38,501	$661,261,772	8,631	$343,840,171	$122,348,643	$89,695,479

Source: Center for Applied Economics, University of Kansas School of Business

[4] The most ready explanation for the "missing" 171 stores is that they have no employees or do not file the employment-related paperwork collected by the U.S. Bureau of Labor Statistics. See footnote #1 for an explanation of the data source.

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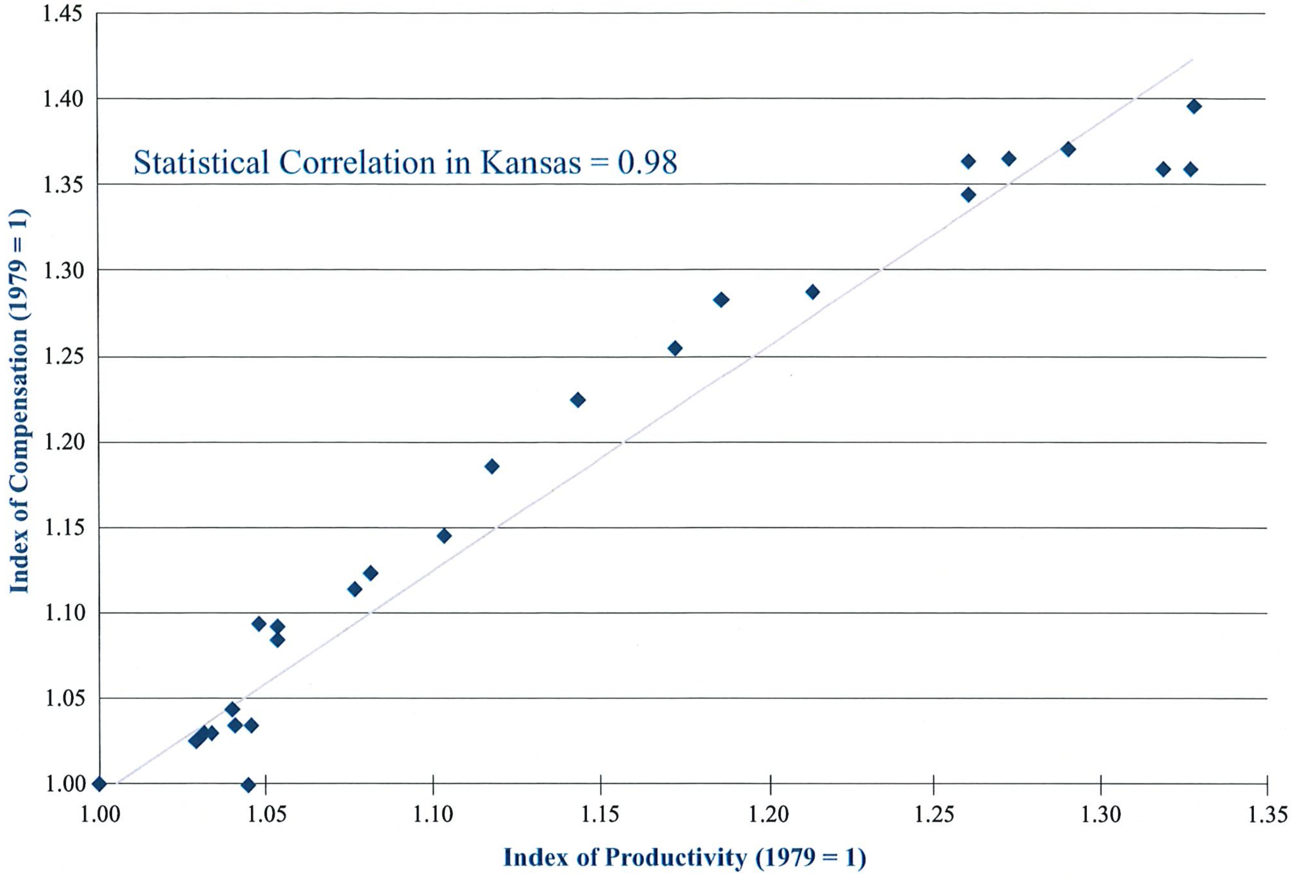
Chart 1: Kansas Productivity and Compensation, 1979-2009



The Competitive Context of Different States and Industry Sectors

Fortunately for the analysis of the deregulation in Kansas of the sale of beer, wine and spirits, other Midwestern states offer a basis for a meaningful comparison of how the regulated versus deregulated rules help shape the marketplace.

The primary regulatory issue involved with the analysis concerns the retail outlets allowed to sell full-strength beer, wine and spirits. A few Midwestern states have rules like Kansas; they allow grocery stores and convenience stores to sell light beer (so-called 3.2 beer, because of its 3.2 percent alcohol content), but require that full-strength beer, wine and spirits be sold in dedicated liquor stores. Several other Midwestern states allow grocery stores and convenience stores to sell full-strength beer, wine and spirits. The accompanying table lists the states used for this analysis by "restricted" and "unrestricted."

Restricted States	Unrestricted States
Kansas	Indiana
Colorado	Iowa
Minnesota	Missouri
North Dakota*	Nebraska
Oklahoma**	South Dakota

* *ND does not allow 3.2 beer sales in grocery stores & convenience stores.*
** *OK does not allow liquor stores to sell refrigerated beer or wine.*

Regulations that limit the mobility of resources have negative economic consequences. Often those consequences take the form of reduced competitiveness and productivity in the marketplace, which can lead to reduced income generation.

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Kansas law regulations that limit the sale of beer, wine and spirits to specific retail outlets offer one such example. They limit both consumer convenience and the potential for increased income generation.

This conclusion derives from several elements reported in Table 2, which compares analytically relevant economic measures across the restricted and unrestricted states, based on decade-long averages.

First, as can be seen in the top panel of Table 2, states with restricted sales have on average more than double the liquor stores per capita than the unrestricted states: a direct consequence of regulation. Kansas and Colorado have an especially large number of liquor stores per capita, and not just among the states in this study sample. Among all 50 states, Colorado ranks second in per capita liquor stores, and Kansas fourth.

Secondly, as shown in the first section of Table 2, states without liquor sales restrictions tend to have more grocery stores and convenience stores per capita. The sample provides clear evidence that the market supports more grocery stores and convenience stores than specialized liquor stores when the market is deregulated. (Oklahoma offers an anomalous example, but its low per capita number of liquor stores and high per capita number of convenience stores are explained by industry officials to be a consequence of Oklahoma's regulation that allows grocery stores and convenience stores—but not liquor stores—to sell refrigerated 3.2 beer. This demonstrates how seemingly small differences in regulations can make a large difference in the long-run structure of markets or industries).

The second panel of Table 2 illustrates the substantial difference in the average number of employees per store, or establishment, among the different types of retail outlets. Liquor stores have the fewest employees by a wide margin. On average, the unrestricted states tend to employ more people per establishment in liquor stores and convenience stores, but slightly less in grocery stores. The relatively low number of liquor store employees per store in Kansas factors into the estimated impact of deregulation in this report.

The third and final panel of Table 2, when synthesized with the first two panels, helps illustrate the lack of competitiveness and productivity in the Kansas liquor store sector. This panel reports the average industry wage as a fraction of the average statewide wage. Wages are a function of productivity. The Kansas statewide average wage in 2009 (the latest reliable data) was $38,519.[5] While the 10-year average wage in state liquor stores was 31 percent of the state's average wage in that period, which works out to an annual salary of $11,968, the actual average wage for Kansas' liquor store workers in 2009 was $11,399,[6] some $569 (or 5 percent) less than that figure. The reason: liquor store

Table 2: Select Retail Sector Data, State Averag for Years 1999-2009

	Establishments per 1,000 Residents		
	Liquor Store	**Grocery Store**	**Convenience Store***
Kansas	0.20	0.18	0.49
Colorado	0.23	0.14	0.44
Minnesota	0.12	0.18	0.56
North Dakota	0.11	0.22	0.60
Oklahoma	0.08	0.17	0.62
Average	*0.15*	*0.18*	*0.54*
Indiana	0.11	0.16	0.47
Iowa	0.04	0.21	0.71
Missouri	0.07	0.18	0.61
Nebraska	0.09	0.25	0.63
South Dakota	0.06	0.29	0.81
Average	*0.07*	*0.22*	*0.65*

	Employees per Establishment		
	Liquor Store	**Grocery Store**	**Convenience Store***
Kansas	4.42	43.49	14.54
Colorado	4.31	54.55	14.39
Minnesota	6.25	48.14	15.06
North Dakota	6.75	33.37	16.14
Oklahoma	4.39	33.48	14.40
Average	*5.22*	*42.61*	*14.91*
Indiana	6.89	43.24	17.39
Iowa	5.82	53.96	15.60
Missouri	5.38	37.41	15.97
Nebraska	5.35	39.43	17.59
South Dakota	5.97	34.20	15.85
Average	*5.88*	*41.65*	*16.48*

	Industry Avg. Wage as Fraction of State Avg. Wage		
	Liquor Store	**Grocery Store**	**Convenience Store***
Kansas	0.31	0.47	0.44
Colorado	0.44	0.65	0.42
Minnesota	0.40	0.45	0.36
North Dakota	0.35	0.44	0.47
Oklahoma	0.53	0.50	0.52
Average	*0.41*	*0.50*	*0.44*
Indiana	0.44	0.48	0.43
Iowa	0.54	0.48	0.44
Missouri	0.54	0.49	0.44
Nebraska	0.47	0.47	0.44
South Dakota	0.50	0.51	0.49
Average	*0.50*	*0.49*	*0.45*

* Includes stores classified as "Country General Stores"
Source: U.S. Bureau of Labor Statistics; U.S. Census Bureau; Center for Applied Economics, University of Kansas School of Business

[5] U.S. Bureau of Labor Statistics, "State and County Employment and Wages": http://www.bls.gov/data/ accessed January 14, 2011.
[6] *Ibid.*

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have been declining relative to the average statewide wage, an indication of the poor competitiveness and productivity of the sector. Meanwhile, that has not been the case for grocery stores and convenience stores. The 0.47 metric for grocery stores would imply an average wage of $18,137, and actual 2009 average wage for them was very close, at $18,108.[7] For convenience stores, the 0.44 metric would imply an average wage of $16,818; the actual 2009 average wage was $16,819.[8] These wage levels do not include the value of employee benefits like health insurance and retirement plan contributions, but they demonstrate how much more efficient grocery and convenient stores are relative to liquor stores, especially in Kansas.

In summary, Kansas liquor stores pay the lowest relative average wage of any state in the full sample. This low wage level spread across many stores with relatively few employees per store suggests a relatively low level of productivity relative to other states – and relative to the Kansas grocery store and convenience store sectors. Indeed, as a matter of productivity, the Kansas liquor store sector is the least productive—the least competitive—of any in the sample states. The Kansas grocery store and convenience store sectors are much more competitive and are likely to become even more competitive if granted the ability to sell full-strength beer, wine and spirits.

How Deregulation Would Change Employment and Wages

If one assumes that the composition of relevant industry sectors in Kansas transforms to take on the characteristics of the averages for the unrestricted states, as reported in Table 2, then the economic impact of deregulation as reported in Table 4 can be derived using current population data.

The grocery store sector provides an example of how the estimates work. Kansas had 2,818,747 residents in 2009.[9] As shown in Table 2, the unrestricted states had an average 0.22 grocery store establishments per 1,000 state residents; Kansas had 0.18. The difference (0.04) multiplied by the Kansas population equals 116, once adjusted for rounding errors in the computer program. The average number of employees per grocery store establishment in the unrestricted states is 41.65; multiplying that employee average by 116 equals 4,816 new jobs. The average number of jobs per grocery store establishment in the unrestricted states is less than the current average in Kansas (43.49 compared to 41.65); adjusting for this different average in all current grocery store establishments in Kansas reduces the job count by 829. Still, the combined result of the job change calculations equals 3,987 net new jobs in the Kansas grocery store sector. Applying the 2009 average wage of $18,108 to each net new grocery store job results in $72.2 million in new wages.

The figures in Table 3 derive from this procedure:

Looking across all sectors, Kansas would add a net of 224 new business establishments, 12,182 jobs and $216,276,737 in annual wages.

Table 3: Derivation of Economic Impact from Deregulating the Sale of Beer, Wine and Spirts

Industry	Change in Number of Establishments	Job Change from Change in Number of Establishments	Job Change from Change in Avg. Number of Employees per Establishment	Net Change in Number of Jobs	Net Change in Wages Based on Avg. Wage
Liquor Stores	(341)	(1,506)	352	(1,154)	($13,156,475)
Grocery Stores	116	4,816	(829)	3,987	$72,197,880
Convenience Stores	449	7,398	1,951	9,349	$157,235,332

Source: Center for Applied Economics, University of Kansas School of Business

[7] *Ibid.*
[8] *Ibid.*
[9] U.S. Bureau of Economic Analysis, "Regional Economic Accounts": http://www.bea.gov/regional/, accessed January 14, 2011.

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A Summary Calculation of Economic Benefits of Deregulation

To complete the picture of what effect deregulation would have on the economy, we applied standard industry interaction analysis (so-called input-output analysis, see Appendix). It shows that the additional jobs and wages created by the deregulation of the sale of beer, wine and spirits would help support additional jobs and wages.

Furthermore, total state and local tax collections have an almost perfect statistical correlation (with a correlation coefficient of 0.98 or more)[10] across time and space (all Kansas counties). Kansas has relatively stable historical ratios of 12.2 percent of wages for state taxes and 8.9 percent of wages for local taxes,[11] consequently the increased wages and economic efficiency generated by deregulation would generate substantial additional state and local tax revenues.

Table 4 below summarizes the overall gains in jobs, wages and tax revenues that could be expected from deregulating beer, wine and spirit sales.

Table 4 data, combined with the data in Table 1 and Table 3, allows for the calculation of the relative growth measures reported in Table 5. The calculations combine the direct and indirect economic impacts related to deregulation.

Table 4: Estimated Annual Economic Impact After Full Market Adjustment to the Deregulation of the Sale of Beer, Wine and Spirits

	Direct Economic Contribution		Indirect Economic Contribution		Estimated State Taxes	Estimated Local Taxes
Industry	Jobs	Wages	Jobs	Wages		
Liquor Stores	(1,154)	(13,156,457)	(171)	(6,809,426)	(2,430,401)	(1,781,761)
Grocery Stores	3,987	$72,197,880	1,001	$39,776,610	$13,630,385	$9,992,624
Convenience Stores	9,349	157,235,332	2,356	94,307,506	30,619,705	22,447,728
Total	12,182	$216,276,737	3,186	$127,274,690	$41,819,689	$30,658,591

Source: Center for Applied Economics, University of Kansas School of Business

Table 5: Percent Change in Select Variable from Deregulating the Sale of Beer, Wine and Spirits

	Change in Establishment	Change in Jobs	Change in Wages	Change in State Taxes	Change in Local Taxes
Liquor Stores	-58.7%	-36.9%	-28.1%	-42.7%	-42.7%
Grocery Stores	25.8%	14.7%	12.0%	18.6%	18.6%
Convenience Stores	34.3%	55.6%	44.1%	70.5%	70.5%

[10] Author's analysis; Kansas Legislative Research, "Kansas Tax Facts," various editions: http://skyways.lib.ks.us/ksleg/KLRD/Revenue&Tax.htm
[11] *Ibid.*

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Why Alcohol-related Taxes May Rise, Even If Alcohol Consumption Does Not

The taxes estimated as part of Table 1 and Table 4 constitute all categories of state and local taxation driven by business and household economic activity. Taxes specifically related to alcoholic beverage sales are embedded in the totals. In 2009, total alcohol-related tax collections in Kansas amounted to 1.68 percent of total state tax collections.[12] *(See Table 6).*

Nothing about the deregulation of the sale of beer, wine or spirits necessarily needs to create any fundamental change in the collection or disposition of alcohol-related tax revenue. There are three possible ways, however, that deregulation can increase alcohol-related taxes: (1) an increase in alcohol sales driven by an increase in in-state consumption patterns; (2) an increase in alcohol sales related to a change in cross-border shopping patterns; and (3) a change in alcohol sales related to border-related business location decisions of retailers.

While the impact analysis indicates resources will shift away from the relatively uncompetitive retail liquor store sector toward the more competitive grocery store and convenience store sectors, this report does not attempt to estimate any change in in-state consumption patterns of alcoholic beverages related to that shift.

As seen in Table 7, based on the sample of states used in this study, no apparent correlation exists between alcohol consumption levels and the retail outlets allowed to sell beer, wine and spirits. Kansas is among the lowest alcohol consumption states, and deregulation is unlikely to change that fact. Research suggests that cultural factors more than economic factors drive alcohol consumption.[13]

Deregulation, though, does hold a much greater promise for increased alcohol-related tax collections as the result of a shift toward Kansas in border-related economic activity—particularly

Table 6: Alcohol-Related Tax Collections and Tax Rates

Tax Type	2009 Tax Collections ($Millions)	Share of Total State Tax Collections	Tax Rate
Liquor Excise	36.6	0.55%	10% on drinks bought at restaurants or clubs, in lieu of sales tax.
Liquor Enforcement	53.8	0.81%	8% on liquor purchased in a liquor store (including purchases by restaurants or clubs), in lieu of sales tax.
Beer Gallonage	8.8	0.13%	$0.18 per gallon. Assessed at the distributor level.
Wine Gallonage	1.1	0.02%	$0.30 per gallon (under 14% alcohol) $0.75 per gallon (14% or more alcohol) Assessed at the distributor level.
Spirits Gallonage	9.3	0.14%	$2.50 per gallon. Assessed at the distributor level.
Cereal Malt Beverage Gallonage	2.1	0.03%	$0.18 per gallon. Assessed at the distributor level. CMB is also subject to state and local sales tax rates.
Total	111.7	1.68%	

Source: Kansas Department of Revenue

[12] Author's calculations based on data requested from the Kansas Department of Revenue combined with data from various editions of "Kansas Tax Facts" (see footnote #10).
[13] Andrew J. Treno, Robert Nash Parker, and Harold D. Holder, "Understanding U.S. Alcohol Consumption with Social and Economic Factors: A Multivariate Time Series Analysis, 1950-1986," Journal of Studies on Alcohol, Vol. 54, 1993, pp. 146-156.

in the Ka. ity Metropolitan Area. For example, according to the National Establishment Time Series Database, there are 60 establishments in Missouri within one-quarter mile of the Kansas border that classify as a grocery store, convenience store or liquor store - 48 of these are in the Kansas City Metropolitan Area.[14]

The stores in the Kansas City Metropolitan Area have an estimated job count of 264, and estimated sales of $33.8 million.[15] News reports and discussions with industry representatives indicate that at least a few of these establishments chose a Missouri location explicitly because of the Kansas restrictions related to the sale of beer, wine and spirits. As an indicator of potential revenue, the 13 of 48 establishments classified as liquor stores had estimated sales in 2009 of $7.7 million.[16] Based on the tax types and revenue shares in Table 6 (excluding the liquor excise tax and cereal malt beverage taxes), Kansas might have collected about $835,000 from these alcohol sales if the stores operated on the Kansas side of the border.

Table 7: Per Capita Gallons of Ethanol Consumption, Persons Age 14 and Older, Averages 1990-2007

	Beer	Wine	Spirits	All	Decile Rank for All
Kansas	1.12	0.15	0.54	1.81	9
Colorado	1.34	0.38	0.87	2.59	2
Minnesota	1.07	0.13	0.51	1.71	10
North Dakota	1.46	0.16	0.85	2.47	3
Oklahoma	1.23	0.27	0.88	2.38	4
Indiana	1.34	0.23	0.67	2.25	6
Iowa	1.40	0.18	0.61	2.20	6
Missouri	1.33	0.14	0.51	1.98	8
Nebraska	1.43	0.15	0.74	2.32	5
South Dakota	1.15	0.21	0.62	1.97	8

Source: National Institutes of Health: National Institute of Alcohol Abuse and Alcoholism

How Might The Market For Liquor Sales Transform After Deregulation?

The deregulation of the sale of beer, wine and spirits would likely cause a gradual transformation of the marketplace, not a sudden change. But how would these often under-appreciated dynamics of business activity occur?

Chart 2, Table 8, and the maps of (a) the Topeka-Lawrence Metropolitan Areas and (b) Southwestern Kansas provide tools to help visualize the business dynamics related to the grocery store, convenience store and liquor store sectors in Kansas in the context of deregulation.

Chart 2 shows the annual jobs gained and lost in the liquor store sector and the combined grocery store-convenience store sectors as the result of four dynamic forces: (1) new business starts; (2) business closings; (3) business job expansion; and (4) b job reduction. The black and white bars illustrate the job dynamics in the liquor store sector. The light-gray and dark-gray bars show the same for the combined grocery store and convenience store sectors.

Chart 2 vividly illustrates the relatively small influence the liquor store sector has on Kansas' job dynamics when compared with the grocery store and convenience store sectors. Although the liquor retail industry constitutes a relatively small portion of Kansas' economy, current regulations restrict the competitiveness of the entire state. For example, according to industry representatives, Iowa-based supermarket chain Hy-Vee and Oklahoma-based convenience store chain QuikTrip combined currently have 27 new stores under construction—yet not a single one is being built in Kansas.

The Center for Engagement and Community Development at Kansas State University cites further evidence of this trend. In 2006, 213 grocery stores were open for business in rural Kansas communities. Since that time, 82 have closed.[17] Access to the profit potential associated with the sale of beer, wine and spirits may help slow or reverse this trend.

Table 8 shows the four categories of business dynamics on an average annual basis (for the years available, 1991-2008). It reinforces the large difference in both business establishment and job creation dynamics illustrated in Chart 2.

Deregulation of the sale of beer, wine and spirits would set in motion a transformative process that would likely alter the averages shown in Table 8. Deregulation would upgrade the competitive dynamics driving each sector. Rather than simply have liquor stores compete against one another, the demonstrably more competitive grocery store and convenience store sectors would help transform the marketplace—and, in the process, upgrade the overall level of productivity within the Kansas economy.

As the economic impact analysis of Table 3 and Table 4 suggests:

- More grocery store establishments would enter the marketplace, generating more and better-paying jobs due to increased profitability and productivity;
- More convenience stores would enter the marketplace, again with more and better-paying jobs;
- Existing convenience stores would increase their employment per store;
- Many liquor stores would upgrade their level of competitiveness and increase their employment per store and pay per employee; and
- Many existing liquor stores would not be able to meet the upgraded level of competition.

[14] Author's analysis; National Establishment Time Series Database, 2009: http://www.youreconomy.org/nets/?region=Walls.
[15] *Ibid.*
[16] *Ibid.*
[17] David Procter, "Rural Grocery Summit II: Saving Rural America's Critical Infrastructure," June 10, 2010. Kansas State University: http://www.dce.k-state.edu/conf/ruralgrocery/

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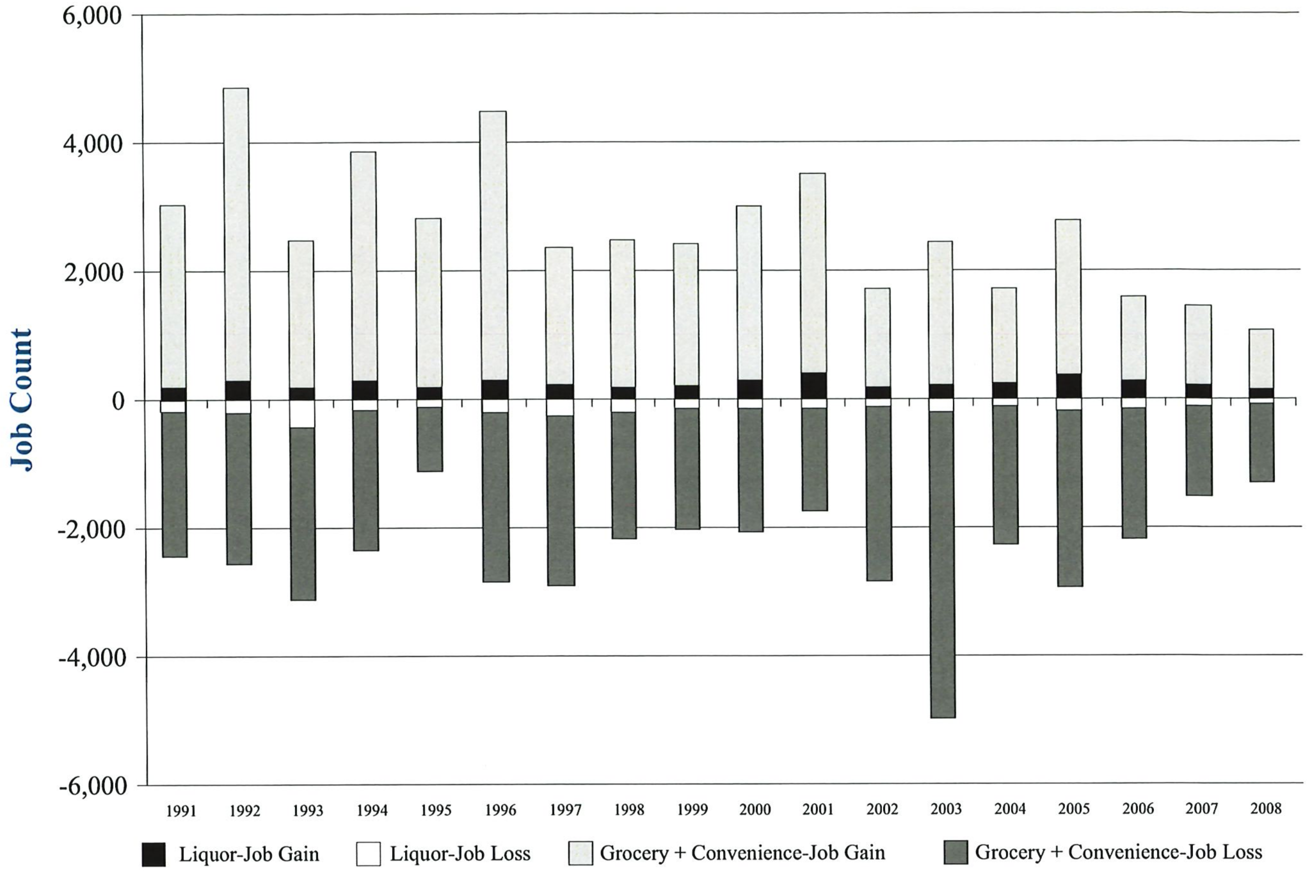
Chart 2: Annual Job Gain and Loss from Business Dynamics



Deregulation will increase the overall competitiveness and productivity of the Kansas economy because many market redundancies (and their associated lower productivity) will be eliminated, and many new viable business propositions will emerge. Kansans will have more choices, as the following maps demonstrate by providing a perspective of the upgraded competitive dynamics.

(Additional maps are available for the Kansas City, Manhattan and Wichita Metropolitan Areas. Maps are also available for each Kansas border.)

Table 8: Establishment and Job Dynamics for Select Retail Sectors, Average Annual Count 1991-2008

Industry	Average Number of New Establishments Started	Average Number of Existing Establishments Closed	Average Number of Existing Establishments Expand Jobs	Average Number of Existing Establishments Reduce Jobs
Grocery Stores	76	73	43	33
Convenience Stores	116	112	72	76
Liquor Stores	52	47	27	25
	Average Job Count	Average Job Count	Average Job Count	Average Job Count
Grocery Stores	969	-1,101	587	-340
Convenience Stores	655	-570	235	-249
Liquor Stores	154	-147	58	-43

Source: National Establishment Time Series Database; Center for Applied Economics, University of Kansas School of Business

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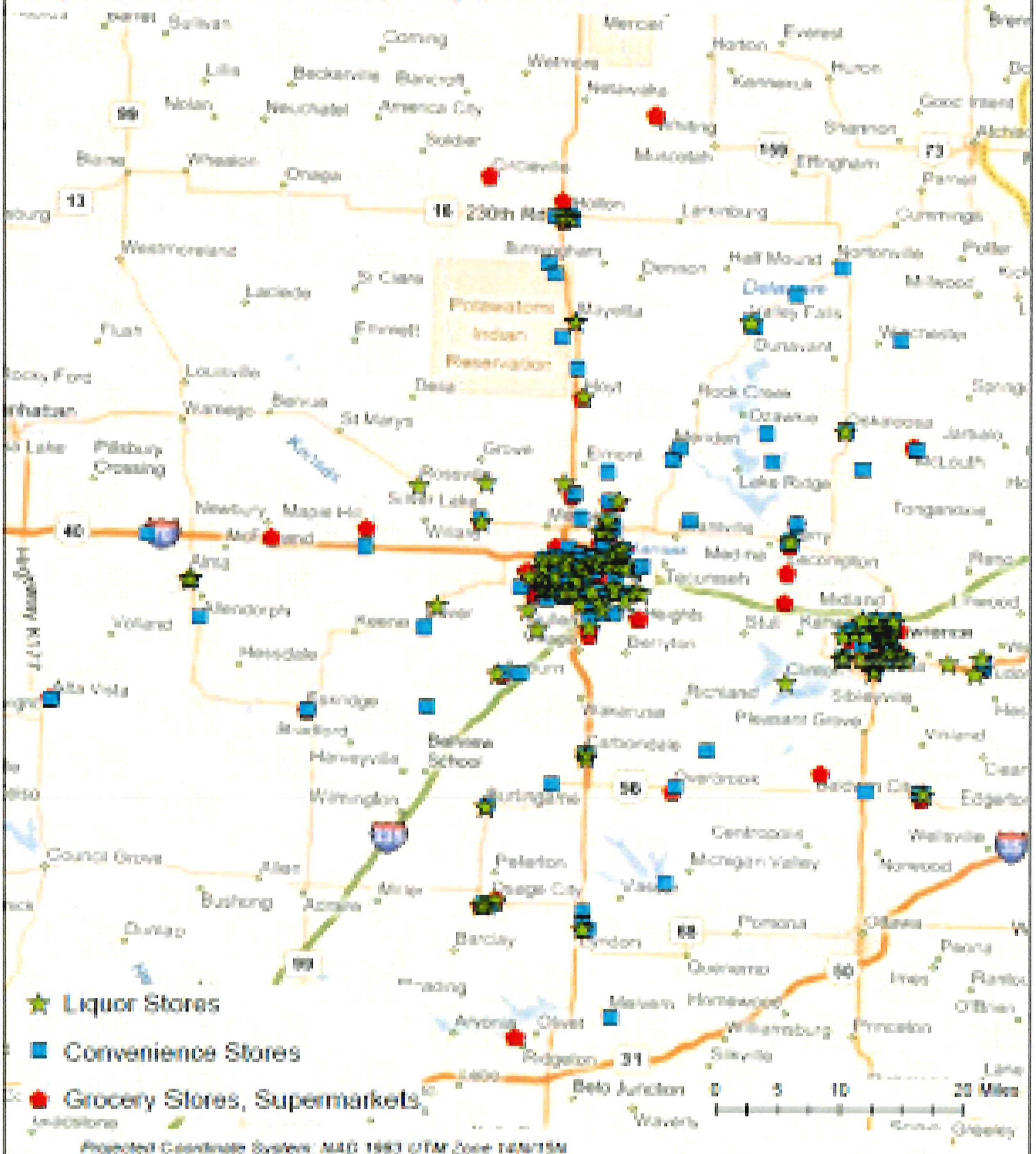
Market Geography of Select Retail Outlets in Kansas: Topeka and Lawrence Metropolitan Area



Projected Coordinate System: NAD 1983 UTM Zone 14N/15N
Data Sources: Microsoft Corporation and its data suppliers. 2010. Bing Road Maps, ESRI ArcGIS Online. National Establishment Time Series Database. 2009. Center for Applied Economics, KU School of Business.
Map Created By: Rhonda Houser, University of Kansas Libraries, Jan. 2011.

Market Geography of Select Retail Outlets: Southwest Kansas

Projected Coordinate System: NAD 1983 UTM Zone 14N/15N.
Data Sources: Microsoft Corporation and its data suppliers. 2010. Bing Road Maps, ESRI ArcGIS Online.
National Establishment Time Series Database. 2009. Center for Applied Economics, KU School of Business.
Map Created By: Rhonda Houser, University of Kansas Libraries, Jan. 2011.

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Table 9: Average Life Span of Select Kansas Retail Sectors (by Geography)

County Type	Grocery Stores	Convenience Stores	Liquor Stores
Metropolitan Area	15.3	15.6	11.1
Micropolitan Area	13.6	15.1	13.2
Rural	18.0	17.9	12.8

Source: National Establishment Time Series Database; Center for Applied Economics, University of Kansas School of Business

Each map shows the location of liquor stores, convenience stores and grocery stores. Not surprisingly, most liquor store locations are clustered around grocery store or convenience store locations, yet many grocery stores and convenience stores have more isolated locations.

Deregulation would create business opportunities for liquor stores to merge with, or become, grocery stores or convenience stores in the clustered areas. Isolated grocery stores and convenience stores would have an opportunity to increase their product offerings.

The ability of the more rural stores to increase their business performance could have positive benefits for the more isolated Kansas communities that host them. It is common for businesses to have longer lives in rural areas than urban areas. Table 9 documents the much longer life span of grocery stores and convenience stores in rural Kansas, relative to liquor stores. A frequent concern in many parts of rural Kansas is the ability for a community to support a grocery store. The business potential offered by the ability to sell beer, wine and spirits can work toward that goal. Businesses that seek to operate in more isolated markets need the lure of higher profit potential.

The Potential Economic and Employment Gains Derived from the Construction of New Stores

A key driver of the economic benefits from deregulating the sale of beer, wine and spirits comes from 116 new grocery stores and 449 new convenience stores. The economic benefits will be substantially magnified to the extent that these new stores result from new construction activity. Based on discussions with industry representatives, new grocery store buildings tend to be $18 million projects and new convenience store buildings tend to be $3.5 million projects. The indirect economic contribution from construction projects tends to be significant because they involve high valued human resources related to architecture, engineering and banking, among many other support functions.

Table 10 makes estimates of the full magnitude of the construction impact as if it happened all at once. That will not happen. New construction will happen over many years, with unpredictable timing. In addition, not all projects will cost the same, so Table 10 also provides the estimated economic impact of a $1 million project, which will scale up proportionately based on the dollar magnitude of the project. For example, based on the estimating procedure, a $10 million project will have 10 times the impact of a $1 million project. This does not take into account the potential economic benefits derived from the major and minor remodeling of existing stores.

Table 10: Estimated Economic Benefit of Construction Projects

	Direct Economic Contribution		Indirect Economic Contribution	
Industry	Jobs	Wages	Jobs	Wages
Average Impact of a $1 Million Nonresidential Construction Project	6	$272,919	5	$201,477
116 Grocery Stores @ $18 Million per Store	13,154	569,855,185	9,396	420,683,976
449 Convenience Stores @ $3.5 Million per Store	9,900	428,892,444	7,072	271,389,519
Total for Stores	23,055	$998,747,629	16,468	$692,073,495

Source: IMPLAN; Center for Applied Economics, University of Kansas School of Business

Conclusion

This study of the deregulation of the sale of beer, wine and spirits estimates that statewide retail transformation and expansion will add more than 15,000 jobs, more than $340 million in workers' wages, and more than $70 million in annual state and local tax revenues.

In addition, deregulation would bolster rural communities and improve economic competitiveness along Kansas' border regions, particularly within the Kansas City metropolitan Area.

There is no evidence to suggest that deregulation of beer, wine and spirits sales will change prevailing alcohol consumption patterns, only shopping patterns.

Appendix: A Discussion of Input-Output Analysis

The "Indirect Economic Contribution" items reported in Table 1 and Table 4 reflect estimates made by using input-output analysis, a traditional approach for conducting economic impact evaluations. Input-output analysis uses the historical pattern of industry-to-industry interactions to assess how economic activity in one sector spills over to other sectors.

The input-output analysis represented in this report relied on the databases and software developed by the Minnesota IMPLAN Group, Inc. (www.implan.com). IMPLAN is an industry standard because of the work the firm does to make the data as current as possible. This report relied on the 2008 database for Kansas.

IMPLAN generates two types of information in response to economic impact investigations: (1) indirect effects and (2) induced effects. Indirect effects measure the economic activity related to the direct interaction of one industry segment with another—for example, the jobs and related wages specifically associated with a business in the grocery store sector hiring the services of a firm in the accounting sector or transportation sector. Induced effects, in turn, measure the economic activity made possible by the wages earned by personnel in the grocery store sector—for example, the array of jobs supported by the wages spent by the families supported by jobs in the grocery store sector, like food, clothing, housing, transportation and entertainment.

For convenience, the "Indirect Jobs" and "Indirect Wages" items listed in Table 1 and Table 4 add together the indirect and induced effects generated by the IMPLAN input-output calculations. In the case of Table 4, the IMPLAN analysis relies for its results on the job and wages estimated reported in Table 3. In the case of Table 1, the IMPLAN analysis relies for its results on the actual jobs and wage data presented in the "Direct Economic Contribution" panel of Table 4.

(4)

Moon's Hometown Market

701 6th Street Osawatomie, Kansas 66064 (913) 755-2635; fax (913) 755-2545

Before the Senate Federal and State Affairs Committee
In support of
SB 54
Michael (Mike) Moon

February 1, 2011

Mr. Chairman and Members of the Committee:

My name is Mike Moon. My wife and I own and operate two grocery stores in Kansas, one in Osawatomie, where I live, and another in Humboldt. I appreciate the opportunity today to discuss Senate Bill 54 and why it should be passed.

Today and tomorrow you will hear impassioned pleas for and against this bill. There will undoubtedly be more emotionally charged opinions when hearing from those who oppose this legislation. My goal here today is to try to talk about both sides of the issue in a realistic manner. The following bullet points outline several of the issues that will likely be discussed:

- **This legislation will not doom liquor stores to extinction. First,** a quick look at our neighboring states that allow wine and spirits in grocery stores will prove that liquor stores and grocery stores co-exist quite nicely. There are hundreds of Kansas liquor stores that are well run, exceedingly profitable, and have terrific locations. They would likely be untouched by this change. Those that would experience a competitive situation would adapt and change just as we grocers regularly do. **Second,** it should not be assumed that every grocery store in the state will install a liquor department. Space constraints, start up costs, community needs, personal convictions, and indeed, existing liquor competition will be deciding factors for grocery store operators. As an example, I will tell you that my Humboldt store does not look like a good candidate at this time for a liquor department.
- **There will be argument that the change in legislation may put a liquor owner's personal investment at risk.** It will be said that liquor store operators made the decision to invest in their stores based on existing laws. Truth be told, the investment in any business is always at risk, from the first day the doors are opened. Existing liquor laws provide a safety net from different retail formats, but offer <u>no</u> protection from other liquor store competition, poor business practices, or *other legislative changes.* Allowing Sunday liquor sales, for instance, changed the business for those liquor stores whose communities did not enact the statute but had a

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neighboring community that did. If we are going to allow measurement of personal risk in our business in this argument, it goes without saying tha the independent grocer, due to the physical size of the business and the amount equipment and inventory required to operate, has much more exposure and risk than the typical liquor store. Bottom line: the rules and regulations for business change constantly, and we must be prepared to change with them.

- **This legislation will allow current liquor store owners a business growth opportunity that they do not enjoy today.** Current law restricts individuals to hold one liquor license in their name.They are also restricted to selling only beer, wine, and spirits and cannot sell <u>any</u> other type of merchandise. This legislation would allow them to grow and expand their existing business through additional locations and the ability to sell other types of merchandise in their stores.
- **This legislation allows other current liquor operators an exit strategy.** The law would prohibit any new licenses for three years but would allow a sale/transfer of currently held licenses to other merchants. Current liquor retailers may see an opportunity to get out of the business by placing a value on their license and can choose to sell it to a new merchant in their county. This three year window would allow a current liquor merchant some time to evaluate their options.
- **Grocery stores are struggling, and in some communities, their very survival is at risk.** Numerous stores have closed, many in the areas you represent, some leaving entire communities without one of their Essential Services. Grocery stores operate with very slim profit margins, have huge labor and utility factors, and are highly price competitive. A huge part of that struggle is the constant erosion of our customer base to other, non-traditional competitors. Many types of merchants are selling what used to be traditional grocery items. Many communities are dealing with other business closures, which weakens the community itself as a business destination. As the consumer drives to neighboring cities and towns to purchase these goods and or services, they take their grocery dollars with them. Passing this legislation gives grocers the ability to shore up sagging or declining sales with a new department that can contribute immediately to covering the cost of overhead.
- **There is no evidence that the increased availability of liquor equates to an increase in consumption.** Many of us in this room regularly consume alcoholic beverages. I challenge you to consider your personal drinking habits and ask yourself if you will consume more because it is on the shelf at your grocery store.
- **There is an expectation of increased liquor sales in Kansas.** There will undoubtedly be more statewide *sales* of wine and spirits, <u>resulting in job growth, facility expansion, and increased tax valuations and collection for our cash-strapped state</u>, but this will come primarily from border states who currently allow grocers to sell. There will also be job growth from transferred liquor licenses as current owner/operators are replaced by employees in other formats.
- **Grocers <u>can</u> be counted on to regulate the sale of liquor to underage persons.** It will be argued that increasing the number of liquor outlets and sales clerks will increase the frequency of illegal, underage sales. On a daily basis, grocers regulate and restrict the sale of tobacco, beer, and lottery tickets to persons of legal age. The State of Kansas currently conducts an aggressive tobacco age-checking compliance by conducting regular "stings" in our stores. I will strongly support this program as it may

apply to liquor purchases if this bill is passed. Additionally, I am personally in favor of a mandatory training and licensing procedure for every perso who may sell wine and spirits in our stores.

- **This bill will be great for Kansas consumers.** The consumer will be the ultimate winner if this new legislation is passed. Beer, wine, and spirits are food products, promoted and discussed regularly in food magazines and on food television, and should be available in food stores. Consumers will have access to the products they desire in a comfortable, convenient environment. As grocers are notoriously competitive, Kansas consumers will enjoy better pricing and selection in some markets, and will have access to products without the inconvenience of driving to another town or across the border to purchase liquor. I received an email last week from a friend of mine, who was inquiring about this proposed legislation. I believe he speaks for the masses:

  "I forgot to ask last Sunday, is there a reasonable chance grocery stores will get to sell liquor? .... Such arrangement was the case when I lived in Wisconsin, made it very convenient to purchase beer, etc. while picking up the normal food for the week. I read part of the argument against was the strain on the "mom & pop" owners of liquor stores and their likely demise. I hope someone makes the argument that competition based on selection, service and price should be the concern of the legislature. The consumer has been receiving the short-end of the retail liquor equation for a long time in Kansas. It would be nice to see the 2.2 million Kansas consumers placed ahead of the 1,000 or so retail liquor store owners but I doubt Topeka has that much vision."

Ladies and Gentlemen of the Committee, we, as Kansans, need this bill for a lot of reasons. I need this bill to assist my chance of survival. My two small stores alone employ 50 people, generate nearly half a million dollars of annual payroll, tens of thousands of dollars in real estate and sales taxes, and provide an Essential Service to each of my communities. Please do not sit back and watch the rural, independent grocery stores struggle and die. If you think competition is good for business and good for the consumer, please give my industry (and the liquor industry) access to all the tools to be competitive with. I urge you to support Senate Bill 54.

Yours respectfully,
Mike Moon
Osawatomie, KS

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Senate Federal-State Affairs Committee
February 1, 2011
Supporting SB 54

Jim Puff
Owner
Puffy's Steak and Ice House – Maple Hill, KS
Alma Food Mart -- Alma, KS

As a concerned citizen and businessman here in the Topeka area, I support the community efforts to modernize laws regarding the sale of beer, wine, and spirits. We are united in our desire to update these laws to provide both short and long-term economic benefits to Kansans.

I own and operate Alma Food Mart, a grocery store, and Puffy's Steak and Ice House, a restaurant in Maple Hill. Studies show that rural businesses are suffering, closing, and some may never come back. I can attest to that fact. In recent years, my operating costs have increased, and my profits have fallen. As a result, I have cut my workforce nearly in half. What grocers like myself need is a lifeline, and I believe that updated laws on the sale of beer, wine and spirits could be this lifeline.

Many rural grocery stores simply cannot afford to keep their doors open. When rural grocery stores close, it doesn't only impact that store and its employees. When the grocery stores go, the school, local businesses, and other government-run entities are soon to follow. Updated laws on beer, wine and spirits could significantly improve the bottom line of my store – and others like it. The direct result would be an increase in jobs throughout these rural communities, increased wages for residents, and significantly more money for state and local governments.

According to Dr. Hall's study, this plan is expected to create over 15,000 jobs, produce nearly $350 billion in wages, and generate over $70 million in state and local revenue. We need this revenue now, or stores like mine could shut for good. I've been serving my customers and my local communities for years. Updated laws could help boost sales to help my bottom line, and provide products that would provide my customers additional product offering and more convenient shopping.

Kansas is facing a looming $550 million budget deficit which must be filled. Under the current laws, this would be accomplished by some combination of tax increases and/or reductions in services. However, it is clear this plan would help alleviate the budget shortfall while also offering support to our local retailers. Thank you.

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February 1, 2011

To: Senate Federal and State Affairs Committee
From: Gratz Peters
Re: Testimony Supporting SB 54

Mr. Chairman and Members of the Senate Federal and State Affairs Committee:

My name is Gratz Peters. I am here today wearing several hats. I am a career long convenience store retailer in Southeast Kansas representing over 250 Kansas employees. My staff and I also operate stores in Oklahoma and one in Missouri. I am a spokesman for the Coalition for Jobs and Consumer Choice representing hundreds of companies and thousands of Kansans. I serve on the Board of Directors of the Petroleum Marketers and Convenience Store Association of Kansas representing over 300 independent Kansas petroleum distribution companies and convenience store owners and their employees throughout Kansas, and I am also a lifelong Kansas resident, consumer, and taxpayer.

Along with those I represent, we stand before you in favor of SB 54.

For nearly 25 years, since the drinking age was raised to 21, PMCA has been the leader in supporting reform to Kansas Cereal Malt Beverage, CMB, laws and now the need to reform Kansas liquor laws has increased. With 82 rural grocery store closings since 2006, and multiple convenience store closings along the Missouri and Oklahoma border, the time has come to reform Kansas' antiquated and anti-competition liquor laws.

Dr. Hall's study clearly demonstrates how changing Kansas liquor laws would positively impact our economy. Updating these laws would generate 15,000 new jobs, $340 million in wages, and $72.5 million annually in additional state revenue-without raising taxes. The facts are clear. Current laws in Kansas on the sale of beer, wine, and spirits are hurting jobs and the Kansas economy, as well as customers and taxpayers. The facts revealed in this study alone are more than enough reason to support needed reform. Since my company operates convenience stores on both sides of two bordering states and also have access to sales numbers of stores for sale in across border stores we have experience to

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further support this study. I have attached a live example as to where Kansas sales are going. Please see the attached "BEER SALES COMPARISON".

Brief explanation of comparison.
There are currently four closed of former convenience store in or near Fort Scott three of which are still empty. Baxter Springs also has 4 closed convenience stores.

For many decades retailers of all consumables, especially convenience and grocery stores, have been faced with increased competition and have had to make some pretty tough choices with regards to their business model's or future existence. We have also experienced increased competition from new retailers like Walgreens, Dollar General, and others now serving our markets.

We at Pete's have had to change our business plan many times over the past 33 years. In the last decade we have closed or kept closed no less than nine inefficient and unproductive C-stores all in Southeast Kansas counties with close proximity to Missouri where laws on the sale of these products are modernized and convenience stores are therefore competitive. Just last summer we painfully closed our nicest Kansas store in Iola at the junction of hwy's 69 & 54. It was a modern 4000 sq ft C-Store facility complete with a walk in beer cave cooler. Today it is a fitness center and the survivor C-Stores in that market are doing better due to increased sales. These tough decisions are inevitable as competitive factors change.

We as Kansas C-Store operators do not enjoy protection from increased competition as afforded to liquor store owners under current Kansas liquor law. Healthy competition is essential to creating more efficient and productive retailers to the benefit of customers in the end. Kansas liquor stores have not been allowed to evolve into what today's customers want, competition, convenience, and better selection which are restricted under current liquor laws.

SB 54 addresses these desires of customers while measurably increasing jobs and the Kansas economy.

In closing I would like to reiterate that SB 54 allows our liquor stores to sell everything we as grocery and convenience stores currently sell, creating even more competition in the Kansas market place. As a convenience store operator in Kansas I don't particularly relish the idea that there will potentially be nearly 800 new convenience stores in Kansas with the passage of this bill but I know my company will do what it has always done. We will compete and we will offer our customers what they want. It is time for liquor store owners to do the same in the best interests of their customers and the Kansas economy.

We ask you to support Kansans and support SB 54.

Thank you

BEER SALES COMPARISON 2009 ANNUAL SALES

MISSOURI VS KANSAS

PETE'S FORT SCOTT, KS STORES VS DEERFIELD, MO STATE LINE STORE

FORT SCOTT #14	$42,325.00			
FORT SCOTT # 27	$29,515.00			
FORT SCOTT # 28	$34,494.00			
DEERFIELD, MO		$210,876.00		
Total	$106,334.00	$210,876.00		
				VARIANCE
AVERAGE PER STORE	$35,444.00	$210,876.00	6 X Ks.	-$175,432.00

NOTES:
The Deerfield Mo store referenced above is often referred to as State Line as its property borders Kansas state line. State Line is just over 1 mile from the Fort Scott city limit with a very nice Kansas new super 2 lane connecting it to Fort Scott. There is only a hand full of residents living near this store on the Missouri side. Deerfield is actually a community a few miles on East of State Line and has another C-store serving it on Hwy 54. The State Line store sits on old hwy 54 about 200 yards North of the current hwy 54 and its primary customers are from Fort Scott and other Bourban county,Kansas residents with sales mostly made up of cigarettes, beer, and motor fuels. See attached sales info. There are 3 closed and 1 former C-stores in Bourbon county Kansas alone all since 2001.

The State Line store only exists due to disparities in Ks/Mo taxes on motor fuel and cigarettes and antiquated Kansas liquor laws.

Using Pete's Store's labor to sales ratios the Deerfield State Line store takes 6.36 FTE jobs from Fort Scott, Kansas. Not to mention reducing Kansas motor fuel and tobacco excise taxes along with applicable sales tax revenues.
This comparison represents only one of many Kansas-Missouri border examples.

OKLAHOMA VS KANSAS

OKLAHOMA PETE'S STORES VS KANSAS PETE'S STORES

AVERAGE ANNUAL BEER SALES PER STORE - OKLAHOMA	$262,390	3.65 X Ks.
AVERAGE ANNUAL BEER SALES PER STORE - KANSAS	$71,956	
DIFFERENCE	$190,434	
	3.65 X Ks	

NOTES:
ALL PETE'S STORES ARE RURAL MARKET STORES WHETHER IN KANSAS OR OKLAHOMA

My name is Mike Thornbrugh and I am employed by and represent the QuikTrip Corporation. QuikTrip is a privately-held corporation that was founded in 1958. We currently own and operate 570 locations in nine states, employ more than 12,000 employees and have announced plans to expand into another state. We are listed by Forbes magazine as the 37th largest privately held corporation and Fortune magazine named us the 34th best company to work for, an honor QuikTrip has received 9 years in a row.

I had an elaborate power point presentation planned, but decided simple straight forward comments are the best approach.

In 7 of the 9 states QuikTrip has locations, we can sell same-strength beer and wine, and in 4 of the states we can also sell spirits.

To sell any alcohol beverages, our store team members must be 16 years of age in the states of Arizona, Oklahoma, Georgia (unless mandated differently by county or city), Iowa and Texas. Store team members under 18 years old may not ring up sales in Kansas, Missouri and Illinois. In Nebraska, they must be 19 years old.

If it's any consolation, Kansas is not unique to the anti-free-enterprise rhetoric the liquor stores have been espousing. They use the same worn out handbook everywhere they operate.

Here are the facts: 45 states have single strength or same-strength beer laws. The states that do not have same strength beer, all have legislation filed to correct the problem.

35 states allow grocery outlets to sell wine and 33 states allow the convenience store industry to sell wine.

The liquor store industry will use the youth access argument again. The fact is that our industry does a better job in restricting sales. We must be more vigilant because we have all ages in our locations, 24-hours a day. QuikTrip has an industry-recognized training program that addresses underage sales. We place responsible retailing at the apex of our business. All employees receive training throughout their careers. It does not stop on day one.

Our latest effort is QuikTrip now requires our employees to I.D customers who appear to be under the age of 40 for all age-sensitive products, and we employ mystery shoppers who shop each location weekly to ensure store employees are following our policy.

The demise of the mom and pop myth is used by industries that don't want to have to compete in a free market. There are thousands of small businesses in Kansas that succeed in the marketplace without any form of government protection from competition. If allowing people to choose where they buy products puts some businesses out of business, it's only because consumers freely choose to favor their competitor. It's called free enterprise.

Many of you were here when legislation was passed to allow local communities decide if the citizens wanted to eliminate the restrictions on Sunday sales. The liquor store industry not only opposed local control, they used the 'it will put us out of business' cry. Odd, the number of liquor stores has increased since local control was enacted.

The pre-existing argument: Sorry, nothing is stagnant in business. Federal and state laws change every year, counties and cities enact new ordinances every time they meet. Traffic patterns dictate change. Consumer habits and preferences are in constant flux. Competition gets stronger. To survive in business you must constantly change and look for ways to expand your business. I guess it would be nice to be protected from competition, by the government , maintain your monopoly and force adults to make their purchases at select locations - but that is not how the free enterprise system works.

QuikTrip has a long history in Kansas. We entered the Kansas City market in 1968 and the Wichita market in 1970. We currently own and operate 38 locations in Wichita and 74 locations in the Kansas City metropolitan area. Unfortunately only 22 are located in Kansas. A business only has a finite amount of capital and must go where the return on investment can be justified.

We also have 21 new store locations under construction yet none of those are in Kansas, though we have over a 1,000 employees who reside there. The average QuikTrip Store Manager earns just shy of $70,000 a year. Employees in the 2nd Assistant position, QuikTrip's most prevalent full-time store position, make around $37,000 a year.

Many of you have read the news article, where QuikTrip tore down a million-dollar store in Kansas City, Kansas and moved our location a hundred foot into Missouri, the reason being the restrictive laws in Kansas which create an unlevel playing field of competition.

We then built a multi-million-dollar building, creating new jobs for local contractors, more choices for our customers and better opportunities for our employees. The new location has averaged about a 65 percent increase on inside sales and nearly 80 percent increase on outside sales.

In fact the consumer reaction has been so favorable that QuikTrip is building a new location on State line road to help relieve consumer pressure of the store. The new store's driveway entry is in Kansas but the actual store and parking are in Missouri. That should not happen. Kansas should give business the opportunity to grow and expand, not push business and the consumer into Missouri.

Senate bill 54 is really about two things: The creation of jobs and giving consumer the choice. It is not about protecting an industry from competition.


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(8)

Before the Senate Federal and State Affairs Committee
Mike Braxmeyer, Owner, Williams Brothers Supermarket, Atwood, Kansas
SB 54
February 1, 2011

Mr. Chairman and Committee Members:

My name is Mike Braxmeyer. I own and operate Williams Brothers Supermarket in Atwood, KS, which sets in the northwest corner, fourteen miles from Nebraska and fifty miles from Colorado. I appreciate the opportunity to appear before you in support of SB54. Grocery stores in the State of Kansas would very much like to have the opportunity to sell beer, wine and spirits.

For years we have paid fees, applied for annual licenses and permits, and have been certified to sell tobacco, beer, prepared foods in our delis, non-prescription health remedies and even live plants. We are perhaps one of the most regulated industries in the State and probably collect more sales tax for Kansas than any other industry. In doing so, we compete 24 hours a day to keep our doors open. For me, two of our largest competitors are in Nebraska where food is not taxed (and that tax in Kansas was increased by another one percent last year!), which automatically makes a $1.99 purchase 16 cents cheaper in Nebraska. We are asking you here in Topeka to at least give us a level playing field to compete with our neighbors to the north and the east through SB54 dealing with wine, beer and spirits.

No one has protected us from the WalMarts of the world, or the local pharmacies from Walgreens, or our local hardware and lumberyards from Lowes or Home Depots. In the interest of a true open market, this needs to work in both directions. In Atwood, at one time, we had four grocery stores, reduced to two years ago, and now just one. In Oberlin, there were two stores, now just one. In Goodland, two stores – now just one. Grocery stores close more often than they are sold – yet to my knowledge not once in the history of Rawlins County has an acre of ground not sold. A major part of our problem is the restrictions we face, coupled with the taxes and regulations leveled on us.

In today's world there are millions who enjoy a glass of wine or cocktail with their meal – and guess where they get that meal? A lot of the time in the clean, friendly and safe environment of our stores! Most of us are already selling CMB (3.2% beer) in our stores and effectively complying with the same sales regulations as the liquor locations. Some of us are not the largest or newest in our market area, but we will provide the best service and the cleanest store possible. In doing that, we may be open 80 or 90 hours a week and work personally 50 to 60 hours a week while employing anywhere from 10 to 100 full time employees.

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We urge you to support SB54 for our industry's sake and also for the State of Kansas. As Dr. Hall has testified, an estimated 15,000 jobs and $340 million in wages would be created. At the same time, it would be allowing liquor locations the opportunity to expand with additional sales in food and beverage items that, I believe, many would take advantage of.

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G. A. KRUEGER, INC.
18700 Metcalf Ave.
Stilwell, Kansas 66085
816.769.4435

February 1, 2011

Mr. Chairman and Members of the Senate Federal and State Affairs Committee:

My name is Gary Krueger. My wife, Lee, and I own and operate Gary's BP located at 130th and State Line Road in Kansas City, Missouri and Krueger BP located at 151st and Hwy 69 in Overland Park, Kansas. Krueger BP in Kansas is located four miles West and two miles South of Gary's BP in Missouri. We have operated these stores since March, 1999. I am here to speak in favor of SB # 54.

To start with, I want to make it clear that we do not sell liquor, specifically beer in Kansas, in either of our two stores. Our two stores are close together with one on either side of the Kansas and Missouri border. Because of this arrangement, I have, over the last few years, had the opportunity to share with my legislators the dramatic effects of the increased tax disparity between the two states. My stores have been a "case study" of business flowing from Kansas to Missouri (from one store to the other). I am certain that all of you are aware of these issues.

I was told by one of my legislative representatives a while back that some legislation, passed with the best of intentions, produces winners and losers. It appears to me that many liquor store owners feel that they will be the losers should this bill be passed. I felt the same way in 2002 when the tobacco tax increase passed and $52,000/year of my Kansas tobacco sales (in addition to associated sales of fuel and car washes) went across the state line to Missouri. My daily customer count dropped 22% from 2002-2003 in Kansas. In addition to the tax issues, Sam's Club and Dillon's grocery started selling fuel within two miles of my Kansas store in 2002-2003, closely followed by Costco. I don't recall anyone sharing a concern that we might be forced out of business in Kansas via government tax changes or fierce competition in the marketplace. I wished there were State restrictions on grocery stores selling fuel.

Our response to inequitable retail taxes along the state border and growing competition was to "reinvent" the manner in which we conducted our business. This included many aspects of customer service and merchandising along with significant capital improvements in the buildings and equipment. As a result of these considerable and ongoing efforts, we continue, with the Almighty's blessing, to be a viable taxpaying employer in the State of Kansas (and Missouri).

My point of sharing our story in brief is as follows; Senate Bill No. 54 is good for Consumers, Jobs and the State of Kansas as the "Coalition for Jobs and Consumer Choice" has or will share with you. Should SB No.54 pass, liquor store owners will join the majority of small business owners in Kansas in facing the challenges and opportunities of free market competition.

The fear of business closings as a result of SB No.54 should in no way obstruct the passing of this bill. It is always the innovative owners of well constructed and operated businesses that succeed in the free market. Some will fail, regardless.

Thank you for your time and consideration

(10)

CASEY'S GENERAL STORE

CASEY'S GENERAL STORES, INC.

P.O. Box 3001 • One Convenience Blvd., Ankeny, Iowa 50021-8045 • 515-965-6100

TESTIMONY OF BOB ALDERSON ON BEHALF OF CASEY'S GENERAL STORES, INC. BEFORE THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

FEBRUARY 15, 2011

Chairman Brungardt and Members of the Committee:

My name is Bob Alderson, and I am submitting this written testimony on behalf of Casey's General Stores, Inc. in support of Senate Bill No. 54 ("SB 54"). Casey's is located in Ankeny, Iowa, and it operates more than 1,500 convenience stores in nine Midwestern states, including 134 stores in Kansas. Casey's is a member of the Coalition for Jobs and Consumer Choice, which requested the introduction of SB 54.

Recent discussions with legislators and others have revealed the necessity of amending SB 54 in three respects:

First, in Section 13 on page 11, line 5, "individual" should be changed to "natural person," to be consistent with the terminology in the definition of "person" in K.S.A. 2010 Supp. 41-102(t), as amended in Section 8.

Second, subsection (b)(2) of K.S.A. 2010 Supp. 41-311, as amended in Section 13 and shown on page 12, should be amended to require that any officer or member of the governing body of a corporate licensee, and the manager of the licensed premises, must meet the licensing requirements of a natural person, except for the residency and citizenship requirements.

Third, that same subsection also should be amended to provide that, after January 1, 2012, a retailer's license shall be issued only to a liquor store, convenience store or grocery store, and these terms should be defined using the appropriate codes established by the North American Industry Classification System.

Thank you for your attention to my comments.

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Testimony by Gary Haag, Haag Oil

SB 54 Hearing: Senate Federal and State Affairs Committee, 2/1/11

Mr. Chairman and members of the Federal and State affairs committee:

Thank you for allowing me the opportunity to express my opinion about a topic that is important to my business, SB 54, which would allow convenience and grocery stores to sell beer, wine and spirits. My name is Gary Haag and my family operates most of the BP stations that you hopefully patronize in the Topeka/Lawrence area.

In my many years in this industry I have come to recognize just how much the current laws put convenience stores at a disadvantage. Kansas is one of only 5 states that prohibit convenience stores from selling the same beer as liquor stores operating in their same state. Because of this restriction, convenience stores have seen their share of beer sales consistently decline over the last 20 years.

For me personally, beer is not a viable product to carry in most of my stores. To illustrate this disadvantage: in the stores where I do carry 3.2 beer, my beer sales are nearly $140,000 below the national average for convenience stores. These outdated laws are a huge handicap for small business owners like myself.

Reforming the law to allow me to sell full-strength beer, wine and spirits would allow my stores to grow and expand.

The liquor lobby will lead you to believe that reforming the law will ultimately put them out of business. I would argue that this is simply not true. Just like it has taken over 20 years to see our market share erode, it will not come back in a day. It would take time for convenience stores to build back their market share. In that time, smart liquor store owners will have plenty of time and options to offset any erosion of market share that they may experience.

As we've heard many times before, liquor stores and other defenders of the status quo will accuse supporters of this effort as putting "Mom and Pop" stores out of business. They say we must continue this special protection under the law for family-owned liquor stores. Well, in my view they should not be treated any differently than my own family-owned business.

The fact is most convenience stores are also owned by independent businessmen -- whether it is the Calvin or Barnwell family that has operated their stores in Topeka for over 30 years, or a Haag Oil location that has employed a manager (who supports their family) for the same amount of time. There is no difference, and the State should not give special treatment to one type of small business at the expense of others.

Lastly, these outdated laws hamper Kansas's ability to compete economically. Rather than unfairly giving a leg up to one particular minority, Kansas should pass this law to make ALL retailers more competitive. It will create jobs and make Kansas a better place to do business.

I ask that you consider this when debating and voting on this bill. Thank you for your time and consideration.

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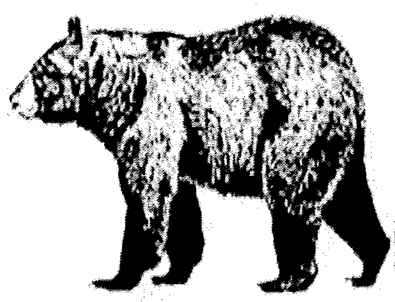

Merriam Park Elementary
6100 Mastin
Shawnee Mission, KS 66203

Senate Federal and State Affairs Committee
Written testimony in support of Senate Bill 54
February 15, 2011

My name is Jane Blinzler, and I teach reading for grades 2nd – 5th grade at Merriam Park Elementary in Johnson County, Kansas. I am grateful for the opportunity to express my thoughts on this important issue.

I support the measure before the legislature that would update state laws governing the sale of beer, wine and spirits. I am sure that you are all keenly aware of the budget shortfalls and impending cuts Kansas is facing. So when an opportunity to increase revenue, stave off tax increases, and improve our education system arises, we should grasp it.

I think that I can speak for my fellow teachers and our students when I say that our schools are desperately in need of relief. As a teacher, I see and feel the effects of the recession every day that I go to work, especially in my school, where we receive Title I funding due to the socioeconomic status of our students. Our schools are suffering just as much, if not more, as every other business and government agency in the state. School supplies can't be purchased, programs are cut, and building repairs aren't addressed. But, most of all, teaching and educational aide positions are cut which are imperative in bridging the gap for our struggling readers through the Multi-Tiered Systems of Support Model that state of Kansas has adopted. It's clear our students aren't receiving the quality of education that this state should be providing.

We should be investing in our children, but with the current economic situation, that is becoming increasingly difficult.

Updating the current laws regarding the sale of beer, wine and spirits can create the revenue that our state needs so that our schools can give our children the education they deserve and need.

The measure that this committee is currently considering would generate $72.5 million in state and local revenue that could be used to go towards our schools. Communities will see their schools benefit and receive their fair share. Schools will also be able to retain and recruit new and highly qualified teachers and educational aides, providing our children with a learning environment that is suitable to the students' needs and conducive to shaping tomorrow's leaders. This plan can even help limit or stop the budget cuts that we are facing.

But with current laws in place, tax revenue from the sale of beer, wine and spirits is going to neighboring states. That means every time Kansans cross over to buy these products, they're helping to help pay down that state's budget shortfall and lower the taxes citizens of that state pay. We have to invest in ourselves here and now and find ways to do so even through difficult times such as these. This proposal is a way to do that.

Kansas is a great state with the potential for a great future. I urge my students to think creatively and not give up when reading gets difficult, and now I am urging all of you to think creatively and rethink our approach to the difficult issues that we face. Updating the laws regarding the sale of beer, wine and spirits will bring in much needed tax revenue that can help the state through the budget cuts that we are facing – perhaps easing the need for new taxes.

Modernizing laws as they apply to wine, beer and spirits is a simple, straight-forward solution that will generate revenue, create jobs, spur investment, and has the potential to be a boon to our educational system.

I hope that you seize this opportunity to invest in our children and ourselves. Thank you again for the opportunity to address this committee.

Respectfully,

Jane Blinzler
Reading Teacher
Merriam Park Elementary
janeblinzler@smsd.org
(913) 993-3600

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Tim Schaeffer
Executive Vice President
RED Brokerage, LLC

Testimony in support of SB 54
Kansas Legislature
Senate Federal and State Affairs Committee
February 1, 2011, 10:30 a.m.
Room 548-South

Dear Members of the Senate State and Federal Affairs Committee,

My name is Tim Schaffer and I am executive vice president of RED Brokerage, LLC located in Kansas City. I thank the committee for the opportunity to submit my comments regarding the hearing on SB 54 regarding updating Kansas' laws on the sale of beer, wine and spirits.

RED Brokerage is a group of real estate professionals who work with local, regional and national office and retail tenants, and owners of commercial properties. Our firm is associated with RED Development, LLC which develops, leases, manages and owns properties throughout the Midwest and Southwest.

RED Brokerage

I am here today to demonstrate my support for a measure before the legislature that would update state laws governing the sale of beer, wine and spirits. I am not alone in my support. There are hundreds of business owners and operators, along with the organizations who advocate on their behalf, who are solidly behind this legislation. We believe these changes are necessary to create the new revenue, jobs and business activity our state needs now.

I work with clients around the state and around the country who have an interest in developing new commercial ventures. First and foremost they want to know if Kansas is a good place to do business. They want to know if our state laws and regulations allow a good return on investment in businesses and employees. They want to know if this is a good place to grow a company and generate solid long-term profit.

And, of course, I say yes. But it's a qualified yes.

As members of this committee know, recovery here has been slow to take hold. Like many other states, Kansas continues to face some grim economic realities. I don't envy you and your colleagues the challenge of plugging a budget gap of more than $550 million or finding ways to raise revenue without significantly raising taxes on Kansas families and businesses.

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I don't have a total solution to offer today. But I can tell you that allowing all retailers to sell full-strength beer, wine and spirits would not only attract new businesses and jobs to our state, but it would also improve the bottom line of resident companies. As you know, greater business activity means more tax revenue that could help close that very large gap in our state's budget and perhaps ease the need for new taxes.

But with current laws in place, tax revenue from the sale of beer, wine and spirits continues to go to neighboring states. That means every time Kansans cross over to buy these products, they're helping to help pay down that state's budget shortfall and lower the taxes that state's citizens pay.

I'm not suggesting that regulation, enforcement and other efforts to promote the responsible consumption of wine, beer, and spirits be abandoned. But I do suggest that it's time to ensure our communities keep their share of local sales taxes and we help make more retail stores more profitable so they can afford to add jobs and expand.

I do believe Kansas could be a good place to do business. I find that people are attracted to Kansas in dealing with developers who want to compete in new marketplaces, expand into new facilities, and reach new customers. But current laws and regulations are turning many of those developers away.

I know that's an old saw, but I've seen it work powerfully on clients who have development plans and development dollars to spend. Many are looking for a business-friendly environment that's already working for resident companies.

RED

RED Brokerage

I believe the legislature has a unique opportunity right now to improve our state's bottom line and burnish our business environment. Modernizing laws as they apply to wine, beer and spirits is a workable, free-market solution that will put Kansas solidly in contention for the new investment, jobs, and expanded business activity we need to spark economic growth.

I ask you and your colleagues to enact legislation that expands the sale of beer, wine and spirits to all retailers and creates immediate, long-term benefits for all Kansans.

Thank you again for the opportunity to address this committee.

Timothy J. Schaffer
Executive Vice President
RED Brokerage LLC

www.redbrokerage.com

Thomas Valenti
Principal
Cameron Group LLC
6007 Fair Lakes Road
Suite 100
East Syracuse, NY 13057

Written testimony in support of Senate Bill 54

My name is Thomas Valenti and I am a Principal with the Cameron Group. We are a commercial real estate development organization involved in construction of The Gateway, a mixed-use town center in Mission, KS that will consist of retail, entertainment, residential, hotel and office components.

We commend the committee for taking up the question of modernizing state laws governing the sale of beer, wine, and spirits. This is an important and timely economic issue for Kansas and we appreciate the chance to be heard on it.

The Cameron Group fully supports the legislative proposal before the committee. We think it's an interesting coincidence that this committee is considering the proposal just as Kansas marks the 150th anniversary of statehood. In fact, the history of Kansas offers lessons for the issue you're dealing with today.

Kansas is now making the third legislative attempt to modernize the retailing laws for alcoholic beverages. On this issue, however, Kansas is trailing most other states. Current laws put us at an economic disadvantage that handicaps our recovery from the national recession. For the first time, convenience stores, grocery stores, industry groups, other retailers, and other industry leaders – like me – have come together to finally pass legislation on this important issue.

The current system gives stand-alone liquor stores a monopoly on selling almost all kinds of alcoholic beverages. Grocery stores, convenience stores, and other retailers are limited to selling beer and wine coolers with 3.2% alcohol content. This is not only unfair, it is denying Kansas tax revenue and investment at a time the state is struggling with the prospects of a $550 million budget shortfall.

Every day, tax revenue is lost when Kansas consumers in border areas cross state lines to shop in neighboring states where they have the convenience of buying beer, wine, or spirits as part of their grocery shopping. In the view of the Cameron Group, the state's current alcohol retailing laws are costing Kansas much more by discouraging major retail chains from building and staffing new stores in Kansas.

When this larger investment picture is considered, we believe that the legislative proposal to modernize the laws on the sale of wine, beer, and spirits could create more than 15,000 new jobs, generate $343.6 million in wages, and deliver $72.5 million in additional state and local tax revenue.

Modernizing the law in this case would be an investment in the economic future of Kansas. But allow me to close a look back at history.

A few months after statehood in 1861, Kansas adopted the state motto: "Ad Astra Per Aspera." Translated from Latin this means, "To the stars through difficulties." Passing this legislation wouldn't be the equivalent of reaching the stars, but it would significantly help Kansas through its economic difficulties.

Thank you for your time and consideration.

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Kansas Senate Federal and State Affairs Committee
February 1, 2011

Testimony of Tony Krsnich
President, Landmark Investment Group, LLC
10334 Lee Blvd.
Leawood, KS 66206

Supporting SB 54

Testimony in support of Senate Bill 54, the proposal to modernize laws regarding the sale of beer, wine and spirits.

Landmark Investment Group has been a leader in the real estate industry for more than 18 years – acquiring, developing and managing a portfolio of commercial, retail, and residential properties. We are an experienced, full-service real estate investment management company with expertise in finance, design, construction, marketing, and leasing and property management.

Landmark supports efforts to allow retailers to sell full-strength beer, wine and spirits. This proposal will benefit retailers, their employees and, most of all, Kansas consumers. Modernizing outdated regulations will spur economic activity and generate new revenue for state and local governments. The plan, in our estimation, will attract new businesses and jobs to Kansas and provide an economic multiplier effect that will benefit local businesses.

The new study on this issue released by Dr. Art Hall at the Center for Applied Economics at the University of Kansas showed that this plan could create more than 15,000 jobs, $344 million in wages, and $73 million in state and local revenue. The plan will also create jobs and additional tax revenue from the construction of new stores and the remodeling of existing stores. I'd like to offer Landmark's perspective on the construction aspect of the issue, borrowing on our experience in other regions, in the hope that these insights may be valuable to you as you consider this matter.

In his study, Dr. Hall reported an interesting fact. "The Iowa-based supermarket chain Hy-Vee and Oklahoma-based convenience store chain QuikTrip," he writes, "combined currently have 27 new stores under construction—yet not a single one is being built in Kansas." There is a simple economic reason for that. There are no closed investment markets in the United States. Capital moves freely to those areas where the best returns on that capital are available. Cities and states that have restrictive and outmoded regulations are usually less successful in attracting new businesses and new jobs than those who have enhanced their competitiveness with policies that are viewed as business-friendly. I would add that it is possible to be business-friendly and at the same time prudently protect consumers, workers, and our environment.

What's more, there are no closed consumer markets in the United States. When they need something, shoppers tend to "vote with their feet." It's not uncommon for people to travel for hours, or hundreds of miles, to shop for items they cannot find at home. The Internet, as we all know, has changed the way we buy so many things, from books to music to cars. Protectionism might exist in some backward foreign economies, but it doesn't work in Kansas or Missouri or Connecticut. Just try to imagine what your standard of living would be like if you could not buy any goods or services that originated outside your home state.

Dr. Hall's study also showed how, even under the restrictive regulations we are discussing here, economic trends have deeply impacted Kansas retail. In 2006, he writes, "213 grocery stores were open for business in rural Kansas communities. Since that time, 82 have closed. Access to the profit potential associated with the sale of beer, wine, and spirits may help slow or reverse this trend." We may never know for sure, but how many of those grocery stores would be with us today – and issuing payroll checks – if they had been allowed to freely market the same beer, wine and spirits that other retailers in Kansas were authorized to market?

Our experience in other regions tells us that a number of positive —both immediate and in the long-term—will follow if Kansas updates its retail laws.

Most notably, more competitive grocery store and convenience store sectors will have a transformative effect on the Kansas marketplace. The state economy will be more productive and more of those retail trade dollars will stay in-state rather than flow to other locales.

Kansans will see more retail establishments, which will generate more good jobs. Retailers today survive only by offering better prices and selection, and using the latest technology to manage their purchasing and distribution channels. The benefits of this competition flow directly to the consumer and the retail employee.

Here's what else we see happening. Existing convenience stores would expand their payrolls; some might even build new stores. The same holds true for liquor stores, which would take those steps necessary to become more competitive – something we all must do no matter our line of business. Smaller retailers often change their mix of merchandise in response to new competition, perhaps developing an unexploited niche, or offer higher levels of levels of customer service.

And we should not underestimate the impact that new retail construction will have on local economies. We've done a lot of work in communities that are distressed or neglected, and the benefit of new investment can create wonderful opportunities where before there was only hopelessness. Dr. Hall's numbers are on the mark; new grocery store buildings tend to be $18 million projects, and new convenience store buildings tend to be $3.5 million projects. Picture, if you can, all of the related services that go into these projects, many of these sourced locally: construction trades, food service, hotels, architecture, engineering and banking, among many others.

We enthusiastically support the proposal to update our laws regarding the sale of beer, wine, and spirits. Reform will help Kansas protect local communities by retaining sales and tax revenue that are now being siphoned away to neighboring states. Local communities will experience a real economic shot in the arm. And that scarcest of resources, good paying jobs, will find eager takers in these communities.

Thank you for your time.

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February 1, 2011

Senator Pete Brungardt
Chairman, Senate Federal and State Affairs Committee

Mr. Chairman and members of the Senate Federal and State Affairs Committee,

My name is Michael T. Egan, I live in Shawnee, Ks. and write to you today as a consumer, taxpayer, and supporter of SB 54. This bill brings Kansas into the next century. The Kansas liquor laws are an economic disaster, and lead to mass migration of revenue to Missouri, Iowa and Nebraska. Allowing convenience and grocery retailers the opportunity to sell beer, wine and spirits is a positive step keeping Kansas tax dollars in Kansas.

I personally purchase over 700 bottles of wine per year for my church, charity auctions, entertainment, gift giving and personal use. My purchases are made in Missouri, Iowa, and Nebraska. I purchase my wine products in other states for several reasons but the # 1 reason I buy wine in elsewhere is cost. Kansas has higher taxes on alcohol, motor fuel and tobacco. There are other tax differentials that give Missouri and advantage over Kansas, as well, including the method of distribution of product in Kansas vs. Missouri, which is mandated by statute.

I keep hearing that youth access could be an issue, I have worked in and sold to the retail trade group since 1970, and I do not know one business owner who would consciously sell alcoholic beverages to a minor...NOT ONE. Will there be instances of sales to minors? Perhap. There is always the possibility that a mistake will be made but intentionally? I think not. And where does personal and parental responsibility come in to play? Additionally, the state should require an approved training program for all age sensitive products that will help eliminate the underage sales argument.

Taking accessibility a step further, the bill would cap liquor licenses for a period of time, and while I do not agree with distribution impediments, as I am a free market person, it appears that rather than having more liquor outlets you would have the same amount of stores selling alcohol products. So accessibility is a moot point as I see it.

Opening up the market to allow other retailers to sell alcohol products is a win-win for the consumer and the state of Kansas. Competition is a good thing and protecting one industry over all the rest is wrong. I believe that we are far better off allowing the free market to determine the price of wine and spirits in Kansas instead of letting government control what ispercieved as "good for society."

The archaic distribution system and liquor laws in Kansas need changing. The Kansas Legislature needs to help retailers keep tax dollars in Kansas. Living in Kansas City I watch Kansas tax dollars flow into Missouri every day.

Senate Bill 54 is a step in the right direction for Kansas. Changing a law that is 50 some odd years old will help retailers compete on the border, will keep Kansas tax dollars in Kansas and allow the Kansas liquor laws come into the this Century.

Respectfully,

Michael T. Egan
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Shawnee, KS 66218

meganlainc@yahoo.com