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 16, 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:
Rodney Robson, Kansas Association of Beverage Retailers
Michael Towne, Library Discount Liquor
Dennison Woods, Ken-Mar Liquor
Joe Spinello, Top Cellars Select Wine and Spirits
Jeff Breault, R & J Discount Liquor
Brandon Plaschka, Plaschka and Kramer Liquor
Amy Campbell, Kansas Association of Beverage Retailers
Tuck Duncan, Kansas Wine & Spirits Wholesalers
Spencer Duncan, Keep Kansas in Business
John Calbeck, M.D., Garden City, Kansas
Jeff Herrig, Jefferson County
Rebecca Rice, Kansas Beer Wholesalers Associations
Francis Wood, Topeka, Kansas
Gary Winget, Kansas Beer Wholesalers Association
Dan Hecke, Liquor Barn & Papa Top Liquor
Bob Eckardt, Kansas Family Policy Council

Others attending:
See attached list.

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

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

Rodney Robson, President, Kansas Association of Beverage Retailers, spoke in opposition on the bill. (Attachment 1) Mr. Robson stated that this bill is about deregulation to benefit one category of retailer: the grocery store. Hy-Vee and other national grocery chains want to be able to have the same business structure in every state and threaten that they will not make any more investment in Kansas if the laws do not change. Kansas laws are not so unusual; our neighbors in Oklahoma and Colorado have grocery store chains who do not sell liquor, wine, or strong beer.

Michael Towne, Library Discount Liquor, Manhattan, appeared in opposition on the bill.(Attachment 2) Mr. Towne stated the very corporations that were largely responsible for closing hundreds of independent grocery, convenience, hardware, and variety stores, as well as other small businesses across Kansas now have their sights set on closing over 350 Kansan owned liquor stores.

Dennison Woods, Ken-Mar Liquor, Wichita, appeared in opposition on the bill. (Attachment 3) Mr. Woods stated that it is a privilege, not a right, to be given a Liquor License; the responsibilities of selling this highly regulated product were made clear when I invested in this business. Now Kansas is reconsidering its agreement with me and would like to grant this privilege to non-Kansas corporations with less qualifications to sell alcoholic liquor to the public.

The minutes of the Federal and State Committee at 10:30 a.m. on February 16, 2011, in Room 144-S of the Capitol.

Joe Spinello, Top Cellars Select Wine and Spirits, Overland Park, spoke in opposition to the bill. (Attachment 4) The bill slashes licensing laws; allowing non-Kansas citizens to get a liquor license, and he asked the committee to support locally owned businesses and to turn down this request.

Jeff Breault, R & J Discount Liquor, Wichita, testified in opposition to the bill. (Attachment 5) The grocery coalition is once again taking a red pen to the Kansas Liquor laws to suit their own ends; the last thing the Legislature needs to do is completely throw out thousands of jobs with the faint hope that jobs will reappear under a different sign. This is even more dangerous with a product that requires so much supervision in its delivery with no idea of how much the added cost would be to oversee hundreds of new outlets.

Brandon Plaschka, Plaschka & Kramer Retail Liquor, Princeton, Kansas, appeared in opposition to the bill.(Attachment 6) Mr. Plaschka stated that many liquor stores represent family businesses; this is the career path that he has chosen. Now someone is asking for a part of what he has invested so much in – but the proponents of this bill don't want to earn the license, obey the laws, or be subject to the same penalties that he has spent a lifetime earning.

1. Amy Campbell, Executive Director, Kansas Association of Beverage Retailers, spoke in opposition to the bill. (Attachment 7) There is a perception that legislation to deregulate the sale of alcohol, whether by selling stronger beer in cereal malt beverage outlets, or by allowing liquor, wine and beer in grocery stores, will modernize our state and promote positive change by eliminating an outdated product. The bill will:

- allow corporations to own liquor stores
- allow chain liquor stores
- exempt corporate owners from the majority of license requirements, including U.S. residency, felony convictions, having to be 21 years of age, etc
- remove the Kansas residency requirement to get a license
- allow the business to sell other products
- require only persons 21 years of age to sell spirits and 18 years of age to sell wine and strong beer – but doesn't state how that would be regulated
- repeals KSA 41-103 – which requires the separate sale of 3.2 cereal malt beverages, creating a duplicate licensing system for retailers who choose to sell strong beer and cereal malt beverage products. Needs some specific direction for the prioritization of regulatory authority.
- Repeal part of KSA 41-308 – which prohibits a retail liquor store from giving away things of value, as well as the prohibition against entrainment, pineal machines, or games of skill or chance.

KABR can not emphasize enough the negative impact this legislation will have upon the retail liquor stores' business throughout the state.

Tuck Duncan, General Counsel, Kansas Wine & Spirits Wholesalers, appeared in opposition of the bill. (Attachment 8) ) Mr. Duncan stated the final analysis of any new system must be one that can be regulated and one which the state will have the resources to regulate. That regulation is about protecting the public and having effective mechanisms in place to deter underage sales, to reduce impaired driving, to reduce the need for prevention and intervention; and in doing so the system should not consume precious resources needed elsewhere or place disproportionate demands on state and local government.

The total package retail beverage alcohol sales in Kansas, based on enforcement taxes, are $685 million annually which is less than one-half of one percent of the sales of the proponents of the bill.

Spencer Duncan, Keep Kansas in Business, spoke in opposition on the bill. (Attachment 9) The bill does not benefit the Kansas economy, will do economic harm to our communities and burden the General Fund. Mr. Duncan presented "A Review of: An Economic Case for increased Competition in the Sale of Beer, Wine and Spirits in the state of Kansas by the Coalition for Jobs and Consumer Choice," by Dr. David Burress, Ph.D., an economist who has studied the Kansas economy for decades. Dr. Burress concludes claims in the study were formed using insufficient data, fails to include all economic factors and does not consider the overall economic impact the bill will have on rural Kansas communities. The passage of the bill does not guarantee construction of new stores which, in turn, means no guarantee of thousands of new jobs for Kansas.

The bill creates a large, costly, inefficient system, and the legislature should look out for its citizens including local, small business owners. Allowing out-of-state companies to unnecessarily put Kansans out of business does not benefit Kansans or the economy.

John B. Calbeck, M.D., Garden City, Kansas, testified in opposition of the bill. (Attachment 10) Dr. Calbeck stated that research reveals the move toward alcohol sales' deregulation, and opens up the issue of enforcement and the potential for increased access to alcohol products by underage youth, and there is a large body of solid research and social observation to assist Kansas in making the best decision on the bill. Based on state, national, and international experiences with alcohol sales privatization and deregulation, the expansion of alcohol sales should be accompanied by controls designed to protect public health and safety.

Kansas should thoroughly study the long term implications, social as well as economic, before proceeding any further on this legislation.

Robert Cartier, Undersheriff, Jefferson County Sheriff's Office, presented written testimony in opposition for Sheriff Jeff Herrig. (Attachment 11) The bill anticipates sharing a portion of increased liquor enforcement taxes with cities and counties; that formula is based on population. A population based formula is unlikely to fully compensate Jefferson County for the change in buying practices and the associated enforcement costs.

Rebecca Rice, Kansas Beer Wholesalers Association, spoke in opposition to the bill. (Attachment 12) The bill will weaken the state's alcoholic liquor delivery and sales system. A massive national campaign is being waged against states that have resisted previous efforts to shift sales from controlled and restricted retail liquor stores. Many states, not just Kansas are fiercely defending their delivery system; that has been successful in helping state governments protect the public's health, safety, and welfare.

Frances Wood, Topeka, Kansas, appeared in opposition to the bill. (Attachment 13) Ms. Wood stated that the proponents of the bill say that consumption will not increase, yet create 15,000 more jobs; this is fuzzy math. Along with traffic fatalities are the issues of domestic violence and health concerns that come with increased consumption.

Garry Winget, Kansas for Addiction Prevention, testified in opposition to the bill. (Attachment 14) The bill is not just an erosion of control; it is a radical shift in policy. Alcohol is the number one drug problem in America, and the passage of this bill will expand access which always increases consumption.

Dan Hecke, Liquor Barn and Papa Top Liquor, spoke in opposition to the bill. (Attachment 15) If the bill is passed, Mr. Hecke will be forced to close both of his stores because there are several corporate stores in both locations that will sell liquor for one to five cents over cost.

Bob Eckhardt, provided the written testimony in opposition for Donna Lippoldt, Kansas Family Policy Council. (Attachment 16) A new organization made up of Walmart, Dillons/Kroger, QuikTrip, KwikShop, Hy-Vee, Hen House/Price Chopper, and Casey's General Store under the name "Coalition for Jobs and Consumer Choice" is once again presenting the argument that they should be able to sell hard liquor. This will only increase access of hard liquors and alcoholism among minors, which can only result in increased juvenile crime.

Written Testimony in Opposition

Tom Barlett, Wolf Liquor, Edgerton, Kansas (Attachment 17)

Harold Lukas, Lukas Liquor Superstore (Attachment 18)

Pam Fair, Kansas Families Against Liberal Liquor Laws (Attachment 19)

Michele Simon, Research and Policy director, Marin Institute, San Rafael, California (Attachment 20)

Pamela S. Erickson, CEO of Public Action Management, PLC (Attachment 21)

Christian Walter, Myers Retail Liquor, Lawrence, Kansas (Attachment 22)

George Waters, Glass House Liquor, Lawrence, Kansas (Attachment 23)

Sheriff Robert Dierks, Montgomery County (Attachment 24)

Rev. Elwyn J. Luber, Pastor, First Lutheran Church, Topeka, Kansas (Attachment 25)

Lois-Ann Beal (Attachment 26)

The minutes of the Federal and State Committee at 10:30 a.m. on February 16, 2011, in Room 144-S of the Capitol.

Edward Davies, Retired Sheriff Marion County (Attachment 27)

City of Coffeywille (Attachment 28)

Chairman Brungardt continued the hearing to February 17, 2011 on **SB 54**

The next meeting is scheduled for February 17, 2011. The meeting was adjourned at noon.

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE**
**GUEST LIST**

DATE 2-16-11

| NAME | REPRESENTING |
|---|---|
| JOAN ABOUD | Aboud Liquor |
| CHUCK ADAMS | DAVE'S LIQUOR |
| Don Vundil | R+D LIQUOR |
| Regina Viaduska | D & J Liquor |
| Russell Ashley | Hy-Vee |
| Stanley R. Mitchell | Ray's Discount Liquor |
| ERIC GHARST | Hy-Vee |
| Brad Bonderer | Hy-Vee |
| Katie Lynch | Hy-Vee |
| Brandon Euler | Hy-Vee |
| Michael Schweiger | Hy-Vee |
| Chad Thacker | Hy-vee |
| LINDA Langston | EUDORA WINE & SPIRITS |
| Josh Bland | Hy-Vee |
| John Calhoun | GCCC / Reg. Prevention Center |
| Jeff Grantham | Central Wine & Spirits |
| ROBERT J. MILLER III | GOEBEL LIQUOR |
| NANCY KYLE-BAKER | SENECA Street LIQUOR |
| Raymond Sewell | Sewell's Retail Liquor |
| Scott Haverkamp | Heritage Wine & Liquor |
| Mike Towne | Library Discount Liquor |
| CHRISTIAN T WALTER | MYERS RETAIL LIQUOR |
| Beth Walter | Myers Liquor North |
| George Waters | Glass House Liquor, Lawrence |
| Paul Benner | ~~SPR~~ SPIRIT Liquor - Lawrence |
| Paul Homan | Crystal Lake Liquor |

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE**
**GUEST LIST**

DATE 2-16-11

| NAME | REPRESENTING |
|---|---|
| Lesa C. Dixon | L.C. Retail Liquor |
| Wm. C. Mantey | Cunningham Liq. |
| DAVID SCHOKET | DelANO Retail Wichita |
| Matt Smithhisler | Filby Liquor |
| ROBERT DAMMERMUTH | 12TH ST. LIQUOR |
| Lynn Pugh | TC Liquor Wamego KS |
| Scott Zarembr | ZARCO 66 Inc |
| JAN LYSON | MR G's LIQUOR |
| ART McKENNA | MR G's Liq Shawnee KS |
| CAROL NARDELLA | NARDELLA LIQ STORE JUNCTION CITY |
| Angie Snider | Blue Sky Liquor Ottawa, KS |
| Kirby Snider | Blue Sky Liquor, Ottawa, KS |
| Melvin Bryan | Bryan's Liquor, Auburn KS |
| Dorothy Bryan | Bryan's Liquor, Auburn KS |
| Brandt Ditgen | Compton Retail Liquor, Cheney KS |
| STEVEN BERGER | THE WINE CELLAR LAWRENCE, KS |
| Raili Tidemann | Marketplace Wine & Spirits Wichita |
| Mason Inouye | Marketplace Wine & Spirits Wichita |
| Matt Jabara | JT's Liquor Wichita, KS |
| Susie COOK | ROBERTS LIQUOR - LANSING, KS |
| Terrie VanDolah | Parkway Liquor - Overland Park KS |
| Joe Van Dolah | Parkway Liquor - Overland Park |
| JEFF EGNOSKE | Fleming Place Wine & Spirits Topeka KS |
| CARROll BOHANNON | 10TH AVE Liquor Leavenworth KS |
| Charlies Liq | 1235 SW Huntoon Top |
| Tom Ballot | WOlF Liquor Edgerton, KS |

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE**
**GUEST LIST**

DATE 2-16-11

| NAME | REPRESENTING |
|---|---|
| Stephen O. McElroy | Owners of Kansas |
| Gina R Marlow | Top City Liquor in Topeka |
| Mike Brenneman | Brenneman Retail Liq Wichita |
| Curtis Hampton | Main St. Liquor - Haysville |
| April Ruppert | Main St. Liquor - Haysville |
| David Drake | Topeka Club Liquor - Topeka |
| Patricia C. Drake | Topeka Club Liquor LLC Topeka |
| Michelle Voth | Kansas Family Partnership |
| Sue Evans | Regional Prevention Center Colby |
| Tom Kessler | Tom's Wine & Spirits Wichita |
| Rachel Kessler | Toms Super Shops McPerson & Wichita |
| Kyle Johnson | Johnson Retail Liquor |
| John Davis | Davis Liquor Wichita |
| Neil Edwards | ABC Discount Liquor - Wichita |
| Rick Daugherty | ABC Discount Wine & Liquor - Wichita |
| Jason Webster | ABC Discount Wine & Spirits |
| Greg Vowell | Quicker Liquor |
| Carla Robson | C&K Liquor Civille |
| Rodney A. Robson | K.A.B.R. - President<br>Jo's Liquor Store - Caney |
| Jim Burgardt | Burgardt Liquor - Wichita |
| Jeff Breault | R&J Discount Liquor |
| Dan Hecke | Pop A Top Liquor |
| Lois Ann Beal | |
| Bob Eckhardt | Kansas Family Policy Council |
| Jeff Campbell | Prairie Village Liquor |
| Lily Campbell | Seneca Square Liquor |

# SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
## GUEST LIST

DATE 2/16/11

| NAME | REPRESENTING |
|---|---|
| Leon Roberts | Valley Wine & Spirits Lenexa KS. |
| Claire Roberts | Valley Wine & Spirits Lenexa, KS |
| Marylin Bean | Smokey Hill Retail Liquor Chapman KS |
| Del Robison | Smokey Hill Retail Liquor Chapman KS. |
| Richard Towe | 3 Guys Liquor Ottawa, KS |
| Karen Towe | 3 Guys Liquor Ottawa, KS |
| Joanne Preston | Metcalf Liquors O.P. KS. |
| Gary Kraisinger | Trails End, Newton, Ks. |
| Mike Patel | Ten Ten Liquor Lawrence KS. |
| Steve Faust | MDC Wine + Spirits |
| Brad Faust | Metcalf Discount Liquor |
| Adam Williams | Alvins Liquor Lawrence, KS |
| Jennie Storm | On The Rocks Discount Liquor Lawrence |
| Matt Easley | On The Rocks Lawrence KS |
| Klyan Liquors Patel | Overland Park KS. |
| Raj Patel | Capital Liquors Topeka KS 66604- |
| Bart Reeb | Reeb's Liquor |
| Zach Reeb | Reeb's Liquor |
| Kristi Mosley | Reeb Liq |
| John Shore | Reebs Liq |
| Rusty Hamilton | Reebs ~~Liquor~~ |
| Sherilyn Hurst | Hurst Liquor Haysville |
| John Hurst | Hurst Liquor Haysville |
| Justin Marchette | Justin's Discount |
| Brian Coleman | Coleman Liquor |
| Natalie Bonanno | New Stanley Station LLC |

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE**
**GUEST LIST**

DATE 2-16-11

| NAME | REPRESENTING |
|---|---|
| Kathy Finley | Hy-Vee |
| Mael Terry | Hy-Vee |
| Jennifer Rogers Vogel | Black's Liquor LLC |
| Lance Vogel | ROGERS LIQUOR |
| Brandon Plaschka | Seven Cedar LLC |
| Dan Quint | Quint Liquor |
| Danny Mead | Mead's Liquor - McPherson |
| ADRIAN WILLIAMS | HY-VEE |
| PAT & LYNDA Devlin | Devlins Liquor Store |
| DENNISON & VIVIEN WOODS | KEN MAR LIQUOR WICHITA KS |
| Garry Winget | Kansans for Addiction Prevention |
| Jamie Spinello | Moonlight Liquor - Gardner |
| Joe Spinello | Top Cellar Select - OP |
| Logan Junod | Junod Liquor - Onaga |
| Ruth Bates | Hy-Vee |
| Ryan Thor | HyVee |
| Adam Green | Hy Vee |
| TED HENRY | CS |
| Sean Murphy | Murphy's Liquor Exchange |
| John Hoytal | K&K Liquor |
| C. Michael Thornbrugh | QuikTrip |
| Mel Minor | Capitol advantage |
| Maggie Geist | Auburn Spirits |
| Gy Olson | Real Estate Industry / Spirits |
| Ken Lerman | Auburn Spirits, LCT |
| Steve Brown | Hy-Vee |

# SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
## GUEST LIST

DATE 2-16-11

| NAME | REPRESENTING |
|---|---|
| Lisa K. Morgan | Hy-Vee- |
| Lori Howell | Hy-vee |
| Grant Peters | PMCA-Petes Stores |
| Brenda Potts | Petes Stores |
| Brenda Elsworth | Petes Stores - PMCA |
| Jim Steindler | Wheatland Liquor |
| Jacob Greek | pages |
| Ross Schimmels | Standard Beverage |
| TUCK DUNCAN | KS Wine & Spirits Wholesalers Assn |
| Spencer Duncan | Keep Kansans in Business |
| Janet Wise | Westside Liquor Store |
| Stacey Harlow | Twisted H Liquor - Satanta KABR |
| Amy Campbell | KABR |
| DAVID BURRISS | AD ASTRA Institute |
| Betty Knoepfle | Knoepfle Liquor |
| Larry D Knoepfle | Knoepfle Liquor LLC |
| Judy Ensminger (Precinct Committee woman 15+yrs) | Ensminger Liquor |
| TROY KEENAN | STANDARD BEVERAGE |
| Phil Bradley | KLBA, KCBG, KVFWA |
| Mike Murray | KS Food Dealers Assn |
| Rebecca Rice | KS Beer Wholesalers Assn |
| RANJIT SINGH | GRAND LIQUOR |
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(1)

*Rodney A. Robson, President*
*Kansas Association of Beverage Retailers*
*Jo's Liquor Store, Caney KS*

***February 16, 2011***

Chairman Brungardt and Committee,

First I want to thank each one of you for your service and today for your time in hearing this very important issue. Approximately eight years ago my wife and I purchased a liquor store in a small town of about 2,000 people. Prior to that I was a police officer for ten years, working the last four years as a narcotics detective.

Now a lot of you might think, "Wow, what a drastic career change from being a police officer to selling liquor." Well the motto of a police officer is to serve and protect. I am still working in that capacity. I still serve and I still protect, and by that I mean I serve customers and protect the public by making sure that the laws of the state of Kansas are adhered to in my liquor store.

As the president of the Kansas Association of Beverage Retailers, I hope to convince you that the businesses who are operating in Kansas right now, paying taxes right now, and employing adults right now – should be more important to you as a Kansas legislator than the businesses who say they might come to Kansas if you change the laws. A bird in the hand is better than two in the bush. The profits that stay here in Kansas right now, the property investments, the hiring of local contractors and accountants, the use of local banks and insurance agents are all right here in Kansas right now – with every one of the 762 licensed liquor stores as a Kansan owned business.

Losing Kansas owned businesses is much more of a loss to Kansas than the 1200 clerks jobs accounted for by the proponents economic study. That study does not account for the income and investments of the owners or the long time community partners that these businesses represent. We sponsor softball teams and participate in the Kiwanis and Rotary Club. We are part of the local chambers of commerce. We are your neighbors and friends.

License Cap Issues. There is no legitimate license cap in this legislation. First, anyone will be able to get a wine and strong beer license immediately (and judging by the lack of license requirements – I do mean anyone). Grocery stores have said that these are top priority products, so they will have no concern with waiting three years to add spirits. Outlets will have wine and strong beer licenses within the first year. This de-values current liquor licenses.

Second, there is no reason to think out-of-state corporation will not wait three years to sell spirits. These businesses don't need the product now to keep their doors open, and will wait patiently to acquire these licenses until the three year period is over. This bill could have a five year wait or a seven year wait – and the limitation still is not valuable.

Third, this does not create value for rural liquor store licenses. These communities are dominated by big box out of state entities that will patiently wait three years before acquiring a hard liquor license. If they choose to jump in right away – they could buy a license anywhere in the county – not necessarily from the only store in town. In either case, the situation is that for the rural liquor store owner has no leverage and no significant value in this perceived cap.

Some people like to say that this bill is about deregulation – improving access for the customer – removing a monopoly. In fact, it is just deregulation to the benefit of ONE category

Sn Fed & State
Attachment 1
2-16-11

of retailer: the grocery store. I can see that Hy-Vee and other national grocery chains want to be able to have the same business structure in every state. I do not think it is right that these businesses have come to Kansas and expect the regulatory system to change for their convenience. These businesses knew the state laws when they came here and made the decision to invest here based on our current laws. They can meet the same licensing requirements that I do if they want to get into the liquor business here. It is amazing to me that some of these businesses now threaten that they will not make any more investment in Kansas if the laws do not change. Kansas laws are not so unusual – just look to our neighbors in Oklahoma and Colorado, where grocery store chains do not sell liquor, wine or strong beer.

Let's take a different look at how allowing the sale of strong beer, liquor or wine in grocery stores would affect the retail liquor stores in the State of Kansas. Locally owned liquor stores that are owned by residents of the State of Kansas would close. Let me repeat that. *Locally owned liquor stores that are owned by residents of the STATE of KANSAS would close*. Not because they wanted to but because people would start purchasing these items at grocery stores and they would be forced out of business.

This will have a unique effect on rural areas. When the local liquor store can no longer compete because every gas station and corner store within 20 miles is selling strong beer and wine, customers will have to travel even farther to find spirits products. And where will the 1653 taverns and pizza huts (cereal malt beverage on premise licenses) get their CMB when the wholesalers start to phase out that product? What measures will Kansas take to address the 20 plus dry counties and the State Parks that allow only cereal malt beverages to be sold and consumed?

A 2008 study by the Distilled Spirits Council of the United States (DISCUS) concluded that 217 retail liquor stores would close if strong beer could be sold in convenience stores and grocery stores. That is STRONG BEER only and does not account for the hundreds more stores that will close when wine sales and spirits sales are deregulated. *See attached.* We can assume that allowing 100% of the only products that can be sold in a liquor store to be sold by grocery stores would be even more devastating. Their own study says half the stores would close (371). **If three to four hundred liquor stores close - and each store employs just five workers – it is a loss of 1500 - 1800 jobs, not including the owners.**

The grocery stores are currently able to sell cereal malt beverages and the industry has adapted to put a variety of products in the grocery stores and convenience stores. The flavored malt beverage market has grown. And why is it that people continue to buy 3.2% beer when strong beer is offered? People want a choice and they want to be able to decide if they want 3.2% or strong beer. Additionally, two of the most popular new products on the market are MGD 64 and Bud Select 65 – these are low carb, low calorie 3.2% cereal malt beverages.

Please look at the overall picture and the economy of the State of Kansas. What is the public need that is being served by this bill? It is not time for change, it is time to realize that the regulated role of state licensed liquor stores has value. It works and sometimes things are best left just the way they are. Hence the saying, **"If it ain't broke, don't fix it!"** Thank you. ***For more information, contact me at*** *crrobson@coffeyvilleks.net*

**MEMORANDUM**

To: Courtney Armour

From: David Ozgo

Date: February 9, 2008

Re: Full strength beer in Kansas grocery and convenience stores

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You asked me to estimate the impact on the spirits industry if legislation allowing Kansas grocery and convenience stores to carry full strength beer were to become law. This memo makes the following points:

- Since 70% of spirits buyers are also beer buyers there is a danger that many shoppers will forgo or curtail spirits purchases as they begin shopping for beer in stores that do not carry spirits. Many will substitute spirits occasions for beer occasions. Spirits volumes are projected to fall by 107,000 cases as a result.

- While the proposal will increase full strength beer availability by 500%, total full strength beer volume sold through off-premise outlets is projected to increase from 12.8 to 20.2 million cases – an increase of less than 60%. Thus average cases of full strength beer sold per licensee is expected to fall by 13,000 cases annually.

- Beer represents incremental business to food stores. Since most full strength beer sales will be incremental business for food stores, food stores do not need to sell as much volume to make beer sales profitable.

- However, beer sales make up an estimated 55% of total package store revenues – they are a core part of package store business. The reduction in beer sales, along with lost spirits sales will, initially, reduce average package store revenues by 45%.

- As a result of lost revenues, 217 package stores are projected to go out of business. As spirits become less available, an additional 64,000 cases of spirits sales will be lost annually.

- Between beer substitution and a reduction in spirits availability the spirits industry is projected to see a reduction of 169,000 cases worth $15.2 million to suppliers.

These points are discussed in more detail below.

**I. Analysis of Kansas beverage alcohol market.**

Full strength beer claims the overwhelming share (79%) of the total beer market in Kansas, despite the fact that only 726 package stores currently carry it. Clearly, consumers prefer full strength beer over 3.2 beer.

Assuming 40% of full strength beer is sold through on-premise outlets would mean that almost 12.8 million cases of full strength beer are sold annually through package stores. These sales would be worth over $255 million to package store retailers.

**Table 1**
**Estimation of Off-Premise Volumes**

| | Full Strength | 3.2 | Total Beer | Spirits | Wine |
|---|---|---|---|---|---|
| Total Cases (000) | 19,668 | 5,128 | 24,796 | 1,393 | 1,075 |
| Off Premise | 12,784 | 4,872 | 17,656 | 1,037 | 833 |

Sources: Adams Handbooks, Kansas Dept. of Revenue

The average package store generates an estimated $352,000 annually from beer sales – roughly 55% of total sales. Clearly, any policy that threatens these revenues also threatens the viability of the package stores themselves.

**Table 2**
**Estimated Package Store Revenues**

| Beverage | Revenue (000) | Per Store (000) |
|---|---|---|
| Spirits | $ 155,612 | $ 214 |
| Wine | $ 49,988 | $ 69 |
| Beer | $ 255,683 | $ 352 |
| Total | $ 461,283 | $ 635 |

Source: Adams Handbooks, DISCUS Estimates

**II. Substituting spirits drinking occasions for beer occasions.**

The dangers to the spirits industry are two fold. First, spirits buyers and beer buyers are drawn from similar populations. Some 70% of all spirits consumers also drink beer.[1] Additionally, large numbers of shoppers purchase both beer and spirits when they visit a package store.[2] Shopping decisions are often driven by customer convenience. If full strength beer is available at grocery and convenience stores many shoppers will opt to visit food stores where spirits are not available. Faced with having to make a special trip to a package store to purchase spirits many will substitute beer consumption for spirits consumption.

**Table 3**
**Kansas Off Premise Retail Outlets, Current and Proposed**

| | Spirits, Wine & Beer | 3.2 Beer Only | Full Strength Beer | Total Spirits | Total Full Strenght Beer | Beer Outlets Per Capita |
|---|---|---|---|---|---|---|
| Current | 726 | 3790 | 726 | 726 | 726 | 0.38 |
| Proposed | 726 | 3790 | 3790 | 726 | 4516 | 2.34 |
| Increase | 0 | | 3064 | 0 | 3790 | 1.96 |

Source: Adams Liquor Handbook, U.S. Census and DISCUS calculations

Currently, there are 3,790 grocery and convenience stores that sell 3.2 beer and 726 package stores that sell full strength beer, wine and spirits. The number of full strength beer outlets per 1000 adult adults is 0.38. If all of the 3.2 beer stores begin selling full strength beer the number of outlets per 1000 adults would climb over 500% to 2.34.

**Table 4**
**Estimatation of New Beer Sales**

| | |
|---|---|
| Increase in Per Capita Beer Outlets | 1.96 |
| Per Capital Consumption Reaction[1] | 0.1022 |
| Increase in Per Capita Beer Consumption | 3.02 |
| Total New Beer Gallons (000) | 5,827 |
| Cases (000) | 2,590 |

[1] See Appendix A

As the number of full strength beer outlets increases, so too will the amount of beer sold. As Table 4 shows, nearly 2.6 million additional cases of beer are projected to be sold as a result. Some of these new beer purchases will be substituted for spirits purchases. As shown in Table

[1] Special analysis by Gallup Organization, September 29, 2006.
[2] The owner of a large "destination" package store estimated that well over 50% of his customers purchase both spirits and beer at the same time. While the figure is likely to vary by state and the size of the package store the percentage will still be significant.

5, these lost sales will amount to an estimated 107,000 9-liter cases worth almost $16 million to package stores.

**Table 5**
**Lost Retail Spirits Revenue from Increased Beer Sales**

| | | |
|---|---|---|
| New Beer Drinks (000) | | 62,157 |
| Spirits Equivalent Gallons (000) | | 728 |
| Spirits Equivalent Cases (000) | | 306 |
| Estimated Diversion (000)[1] | | 107 |
| Lost Spirits Retail Revenue (000) | $ | 16,084 |

[1] See Appendix A

**III. Impact on package stores.**

The second danger stems from the projected reduction in package stores – the only venue for off premise spirits sales. The package stores rely on beer sales as well as spirits and wine sales to stay in business.

Assuming that all 3.2 beer becomes full strength beer and adding in the 2.6 million new cases estimated in Table 4, total off-premise full strength beer volumes will increase from around 12.8 million cases to 20.2 million cases.

Currently, the 726 package stores allowed to sell full strength beer sell an estimated 17,600 cases per year. Accounting for both the new beer volumes *and* the new number of full strength beer licenses, the average number of cases sold per outlet will decline to around 4,480 cases per year.

**Table 6**
**Volume Impact for Current Licensees**

| | Full Strength Beer Licensees | Beer Volume (000) | Average Cases Per License (000) |
|---|---|---|---|
| Current | 726 | 12,784 | 17.61 |
| Proposal | 4516 | 20,246 | 4.48 |
| Decline in Average Cases | | | 13.13 |

For the new full strength beer licensees, most of the new volume will be incremental (except that volume which is replacing 3.2 beer sales). Thus, grocery and convenience stores will be able to sell comparatively low volumes of full strength beer profitably. Obviously, this does not preclude large supermarkets from selling tremendous volumes. What it does mean, however, is that the 3,790 convenience and grocery stores in the state will be able to obtain full strength beer licenses and take sales away from traditional package stores.

As sales at traditional package stores decline some will inevitably be forced out of business, making the purchase of distilled spirits less convenient. As spirits become less convenient to purchase sales will suffer.

**Table 7**
**Estimated Package Store Revenues**

| | Current | | Proposed | | | |
|---|---|---|---|---|---|---|
| Beverage | Annual Revenue (000) | Per Store (000) | Annual Revenue (000) | Annual Per Store (000) | Lost Revenue Per Store | Percentage Loss |
| Spirits | $ 155,612 | $ 214 | $ 139,527 | $ 192 | $ (22) | -10% |
| Wine | $ 49,988 | $ 69 | $ 49,988 | $ 69 | $ - | 0% |
| Beer | $ 255,683 | $ 352 | $ 65,095 | $ 90 | $ (263) | -75% |
| Total | $ 461,283 | $ 635 | $ 254,610 | $ 351 | $ (285) | -45% |

Source: Adams Handbooks, DISCUS Estimates

Accounting for both the lost spirits sales and lost beer sales, total package store revenues would decline from $461.3 million to $254.6 million – a 45% reduction. If all package stores were to remain in business, average annual package store revenues would fall from an estimated $635,000 to $351,000.

**III. Impact from reduced spirits outlets.**

Clearly, not all businesses could withstand a 46% decline in revenues. As a result, we would expect a decline in the number of package stores. Assuming that the average package store would need at least $500,000 in annual revenue to stay solvent, the $254.6 million in total package stores would support a total of 509 package stores. Thus, 217 package stores are projected to go out of business.

**Table 8**

**Volume Lost From Reduced Availability**

| | |
|---|---|
| Estimated Loss in Spirits Outlets | 217 |
| Decline Per 1k Adults | (0.11) |
| Decline in per Capita Consumption[1] | -3.2% |
| Volume Decline (000, Cases) | -62 |

[1] See Appendix A

Naturally, as the number package stores declines the availability of spirits will decline as well. Because of lost availability, spirits sales are projected to decline by an additional 62,000 cases annually.

## IV. Total spirits industry impact.

As a result of the proposal to allow the sale of full strength beer in grocery and convenience stores spirits volumes are projected to decline by a total of 229,000 cases worth $20.6 million in supplier revenues.

**Table 9**
**Supplier Impact**

| Impact | Cases (000) | Supplier Revenues (000) |
|---|---|---|
| Substitution | (107) | $ (9,651) |
| Lost Availability | (62) | $ (5,582) |
| Total | (169) | $ (15,233) |

## Appendix A

### A. Per capita beer response to change in outlets.

The natural log of Per capita beer consumption was regressed against the natural log of beer outlets per 1000 adults and median household income, and whether or not the state attracts large amounts of cross border traffic and whether or not more than 25% of the population is Baptist or Mormon. All independent variables were significant.

The coefficient on Beer Outlets/1k adults is equal to the elasticity of per capita consumption to beer outlets. Given the large increase in the number of per capita outlets (521%) that the legislation would allow, the percentage increase in per capita consumption was calculated by the formula:

$$(1 + 5.21)^{0.53224} - 1 = 0.1021$$

Thus, per capital consumption was increased by 10.21%.

SUMMARY OUTPUT

| *Regression Statistics* | |
|---|---|
| Multiple R | 0.666125222 |
| R Square | 0.443722811 |
| Adjusted R Square | 0.395350882 |
| Standard Error | 0.131471016 |
| Observations | 51 |

ANOVA

| | *df* | *SS* | *MS* | *F* | *Significance F* |
|---|---|---|---|---|---|
| Regression | 4 | 0.63421772 | 0.158554 | 9.173147 | 1.55287E-05 |
| Residual | 46 | 0.79509288 | 0.017285 | | |
| Total | 50 | 1.4293106 | | | |

| | *Coefficients* | *Standard Error* | *t Stat* | *P-value* | *Lower 95%* | *Upper 95%* |
|---|---|---|---|---|---|---|
| Intercept | 5.375098259 | 0.55296714 | 9.720466 | 9.95E-13 | 4.262033147 | 6.4881634 |
| Beer Outlets/1k Adults | 0.053224072 | 0.02470332 | 2.154531 | 0.036469 | 0.003498871 | 0.1029493 |
| Median Household Income | -0.50286338 | 0.14502811 | -3.46735 | 0.001151 | -0.79478983 | -0.210937 |
| Cross Border or Tourist | 0.225037896 | 0.08029813 | 2.80253 | 0.007397 | 0.063406147 | 0.3866696 |
| Heavy Mormon or Baptist | -0.14811085 | 0.05136397 | -2.88356 | 0.005962 | -0.25150115 | -0.044721 |

**B. Reaction of spirits consumers to increased beer availability.**

70% of spirits drinkers also drink spirits. The 500% increase in full strength beer availability will make beer fare more convenient to purchase than spirits. Assuming that the 500% increase in availability will impact the purchase decisions 10% of the time, 50% of consumers who drink both beer and spirits would be impacted. Multiplying 70% (spirits drinkers who also drink beer) by 50% yields 35%. Thus, 35% of all new beer drinking occasions will be taken from spirits drinking occasions.

**B. Per capita spirits response to change in outlets.**

Per capita spirits consumption was regressed against spirits outlets per 1000 adults, median household income, whether or not the state attracts large amounts of cross border traffic and whether or not more than 25% of the population is Baptist or Mormon.

SUMMARY OUTPUT

| *Regression Statistics* | |
|---|---|
| Multiple R | 0.8647107 |
| R Square | 0.74772459 |
| Adjusted R Square | 0.7257876 |
| Standard Error | 0.37704732 |
| Observations | 51 |

ANOVA

| | *df* | *SS* | *MS* | *F* | *ignificance F* |
|---|---|---|---|---|---|
| Regression | 4 | 19.38279 | 4.845697 | 34.0851 | 3.19E-13 |
| Residual | 46 | 6.539575 | 0.142165 | | |
| Total | 50 | 25.92236 | | | |

| | *Coefficients* | *Standard Error* | *t Stat* | *P-value* | *Lower 95%* | *Upper 95%* |
|---|---|---|---|---|---|---|
| Intercept | 0.89500286 | 0.405713 | 2.206 | 0.032418 | 0.078345 | 1.711661 |
| Spirits Outlest/1k Adults | 0.28582906 | 0.110512 | 2.586405 | 0.012928 | 0.06338 | 0.508278 |
| Median Household Income | 0.02218339 | 0.008463 | 2.621138 | 0.011839 | 0.005148 | 0.039219 |
| Cross Border or Tourist | 2.1063314 | 0.228129 | 9.233065 | 4.83E-12 | 1.647131 | 2.565532 |
| Heavy Mormon or Baptist | -0.28703618 | 0.142533 | -2.013817 | 0.0499 | -0.573941 | -0.000131 |

(2)

THE LIBRARY

BEER, WINE, SPIRITS, & MORE

AGGIEVILLE SINCE 1889

Mr. Chairman, members of the committee; my name is Michael Towne; I reside at 1009 Overhill Road in Manhattan, Kansas. I've had over 30 years of experience working in and around both independent and corporate grocery stores, convenience stores, and big box stores, prior to owning a retail liquor store.

The very corporations that were largely responsible for closing hundreds of independent grocery, convenience, hardware, and variety stores, as well as other small businesses across Kansas now have their sights set on closing over 350 Kansan owned liquor stores. Passing SB 54 will not bolster rural communities and will not keep any independent businesses in Kansas from closing. Proponents of SB54 are attempting to convince this committee to exercise "eminent domain", shutting down over 350 small businesses for the benefit of a few out of state corporations, by making unproven claims that their chain stores better provide for "the public good".

The proponents of this bill talk about level playing fields and say that liquor stores are "protected" by Kansas law. Last year, they even called liquor stores – who, by the way, are in direct competition with each other – a "monopoly". This shows a lack of understanding in the Kansas retail liquor licensing system, which is already privatized and encourages competition. Even the cities can't limit the number of liquor licenses issued in their borders.

In Manhattan, there has been a huge controversy about the downtown development project that helped to bring a Hy-Vee to our town. That project involved the city using eminent domain for the property, getting approval for the State of Kansas and the City of Manhattan to issue STAR bonds for public portions of the development, and using Tax Increment Financing for building the retail development. Tax Increment Financing means that the sales tax collected at the store is used to pay off the costs of the building project instead of going into the city and county sales tax fund or the State General Fund. Of course, at that time, Hy-Vee wasn't going to be allowed to sell liquor. Can you imagine that Kansans would ever support using public funding to build a liquor store? Is this the free market they are talking about?

Honest independent grocery and c-store operators know better than to believe the promise of economic growth. Jeff Kraus of Kraus Foods in Colwich feels that the only stores who would really benefit from the change are the large chains pushing the legislation forward. A feeling echoed by other independent grocers already competing with the corporate stores, which is why owners like Kraus say they aren't necessarily supporting the legislation.

Sn Fed & State
Attachment 2
2-16-11

Grocers like Kraus know that selling alcoholic beverages won't keep rural stores open and that the biggest threat to their existence remains the large chains.

In fact, State law currently allows independent grocery store, convenience store, and gas station operators who think they need to sell alcoholic beverages to stay profitable, to do so. Mark & Teresa McMillin in Manhattan, Greg Junghans and Mark Powers in Junction City all currently operate a retail liquor store adjacent to their convenience store. Unlike the rhetoric, SB 54 does nothing to address the plight of our rural communities or small businesses.

Proponents of the bill say that this isn't about alcohol; it's about economics. They're wrong. Selling liquor is not like selling gasoline or groceries. It is a highly regulated adult beverage and should continue to be in limited distribution, sold only to those 21 years of age or older, by someone who is 21 years of age or older. If you're not old enough to consume alcoholic beverages, then you shouldn't be old enough to stock it or sell it. Kansas doesn't need to expose underage part time employees to alcoholic beverages in the workplace. At my business, no one under 21 can even sweep the floor or carry it to the car – with this bill, kids under 18 can handle the product on a day to day basis.

The current system works to balance the potential for abuse from the need to provide alcoholic beverages to of age consumers. Recently, caffeinated alcoholic malt beverages such as Four Loko caused several deaths and emergency room visits in many states. In Kansas, not a single consumer death or emergency room visit related to these products prior to them being pulled from the marketplace was reported. Unlike other states, younger consumers weren't exposed to these products while shopping in grocery or c-stores. They weren't stocked in cooler doors next to the non-alcoholic energy drinks. There was no chance to mistake them for something other than what they were. Because my employees are of age, they were able to taste these products, learn about the products, and inform consumers at the point of purchase exactly what they were getting, limiting the potential for abuse.

Finally, let's set aside, as the proponents do, the alcohol component of this issue and focus on the economic impact of this bill. If Senate Bill 54 is not passed how many Hy-Vee's, Casey's, Wal-Marts, Quik-Trips, or other coalition member businesses close because they can't sell alcoholic beverages? The answer is none. On the other hand let's say this bill is approved. How many independent Kansas liquor retailers are forced out of business? Recent estimates put at least 350 Kansans out of business and sends their employees to the unemployment line.

In closing Mr. Chairman, don't put alcoholic beverages into the businesses our children frequent, often without parental supervision. Keep alcoholic beverages only in licensed retail liquor stores allowed under the existing statutes.

Michael G. Towne
1009 Overhill Road
Manhattan, Kansas 66503
785-410-2232 (cell)

(3)

TO: Senate Federal and State Affairs Committee
FROM: Dennison Woods, Ken-Mar Liquor, Wichita, KS
DATE: February 16, 2011
RE: Senate Bill 54

Mr. Chairman,

For the past 37 years I have been in the liquor business in Kansas. Currently, I own and operate Ken-Mar Liquor. There was a time in Kansas when applicants for a license had to have a hearing with the Director of Alcoholic Beverage Control in Topeka. There is merit in a system which holds an individual accountable for the sale of alcoholic liquor. It is a privilege, not a right, to be given a Liquor License. The responsibilities of selling this highly regulated product were made clear to me when I invested in this business. It is according to this agreement – this contract with the State of Kansas that I have invested in the liquor store business and maintained those obligations in good faith.

Now, it seems that Kansas is reconsidering its agreement with me and would like to grant this privilege to non-Kansas corporations with LESSER QUALIFICATIONS to sell alcoholic liquor to the public. They would not have to meet the same rules as an individual – and could even include businesses owned by criminals. Meanwhile, to keep my own liquor license, I would still have to keep a clean criminal record and be a U.S. citizen and stay out of the prostitution or illegal gambling business and so on.

The corporations' proposal seems to put a value to the investment I have made in the last 37 years by allowing me to sell my liquor license in the next three years, but then completely takes the value out of it by letting anyone get a beer or wine license as of January 1, 2012. **This bill has no real license cap.**

If every convenience store within a few blocks of my store gets a wine and beer license on January 1, there will be too many places selling wine and beer in my immediate neighborhood. Even if I wanted to sell the business that I have put so much of my life into – what value is it supposed to have at that point? Hard liquor is the slowest moving product on my shelves. So, my business will be at risk – but not one of those other businesses is in jeopardy of failing because they don't sell strong beer and wine right now. It wasn't part of their business model when they came to town.

I read in the newspaper that the big grocery stores and convenience stores are going to build more businesses and create jobs if this law passes. Right now, I do not see those companies caring about my community. Maybe a bigger convenience store will open and kill off some of the smaller ones – but there is only so much gasoline and tobacco to sell in any given community. Changing liquor laws won't create more grocery or more liquor sales in Wichita.

The liquor laws in Kansas have contained limitations to multiple stores and to selling other products for the reason that the state expects me to focus on safe and legal sales of alcoholic liquor and to be personally responsible for doing the job right. If the Legislature has decided that this is no longer important – then, you should untie my hands and allow my Kansas business to grow and change. I am not asking for the change – but if it is better for Kansas, then, don't I deserve the first chance to make it work? ...dn't Kansas honor my investment by maintaining a stable and reliable business environ... – instead of changing the rules mid-stream?

Do NOT create this special privilege for out of state corporations that will take the profits out of our communities and quickly wipe out the small businesses that are already paying taxes and employing people – the small businesses that have made the commitment to operate within Kansas restrictive rules and do it well.

Even though I am willing to expand, there are many problems that make it difficult. There are zoning and space issues in my current location and banks are not jumping through hoops to offer small businesses loans for expansion. And what bank is going to finance liquor store expansion when the new market is expected to close half of the existing liquor stores? Basically, it is unfair to ask me to spend thousands of dollars just to continue to compete in the market where I have already invested under the expectation of a stable regulatory environment. <u>This bill says that I should change to survive – but Kansas will change to fit the plans of the big corporations who are asking for this bill.</u>

Please respect our agreement and help my Kansas business to succeed. It is better for my family and better for Kansas.

Sincerely,

Dennison Woods
Ken-Mar Liquor

(4)

# Top Cellars Select Wine and Spirits
## 11720 Quivira
## Overland Park, KS 66210

Chairman Pete Brungardt and members
Senate Committee on Federal and State Affairs

Please reject Senate Bill 54. As the owner of Top Cellars Select Wine and Spirits in Overland Park, I ask you to support locally owned businesses and turn down this request. This bill slashes licensing laws – allowing non-Kansas citizens to get a liquor license.

If my store closes – it will mean the loss of jobs for adults – people who are over the age of 21 and are earning a living. These jobs are supporting adults and families. These are not after school jobs for teenagers. It is not wise to sacrifice those jobs in order to add a product to the grocery stores which will not add any jobs. The bill is intended to allow me to compete – but it starts with a major disadvantage. I would have to invest tens of thousands of dollars to compete in my current field of choice. The grocery stores can simply add the products to their shelves.

The economic study put forward by the proponents says liberal liquor laws will bring new business back across the state line. This assumes that customers go to Missouri to buy liquor. If anyone is going to Missouri just for liquor, it is because of the significant price difference – NOT the liquor laws. I see advertised specials in Missouri that are less than my wholesale cost on a regular basis. These prices are based on population and taxes – not because there are grocery stores in the business.

So, do Kansans go shopping in Missouri? Yes, some do. Missouri taxes are lower for gasoline. Missouri taxes are lower for tobacco products. Missouri taxes are lower for food. Unless we can do something about that cost comparison, putting wine next to the cheese at Costco isn't going to bring back those customers.

There is not a major migration to Missouri just for liquor. Kansas saw a boost to liquor sales once we passed our Sunday sales laws, and that recaptured a good portion of the cross border liquor sales. If we want to pick up a little more of that Sunday traffic, we could consider moving up the hours of sales on Sunday to let people buy their beer before the noon football games.

Sales of cereal malt beverage are around 1% of the overall sales of a grocery store. It can be up to 3% of the sales of a convenience store. Cereal malt beverage is not a priority product for these businesses and does not receive the majority of their attention. Even when these businesses sell wine and beer, these products are still a small percentage of sales. In my store, beer is around 45% of sales. At the store in Olathe, it is 55% of sales. As a result, we pay close attention to the sales of beer. My clerks are charged with the safe and legal sale of adult beverages and are able to give that task their full attention.

If I or one of my employees violates the law, my store will be fined and can be closed for a day or more. If one of the corporations benefited by this bill commits the same violation – will they will simply lock up the beer cooler for short period of time? If the whole grocery store is going to be licensed for liquor sales – it seems to me the whole store is subject to suspension. The bill does not create an even playing field for our family owned businesses.

What is the proposed solution for the actual sale of alcoholic liquor? This bill doesn't say anything about requiring a face to face transaction – will they be able to use the self-service scanners? What qualifies as a sale – is it the exchange of money? Is a 17 year old going to ring up the transaction with an 18 year old coming over to run the strong beer or wine over the scanner?

I have worked in the retail business since 2007. There are many unique issues and challenges related to running a liquor store. Selling alcoholic liquor is not the same as selling other products and I do not believe that liquor should be sold like potato chips and bread. Even the relationships between my retail store and my wholesalers and suppliers are regulated by the State and, at the federal level, by the TTB. The current licensing structure insures that I must be a good partner to the State – collecting and remitting the 8% enforcement tax that is dedicated entirely to the State General Fund. How will this bill restructure tax collections and the bottom line for the State General Fund?

There is no shortage of availability of beer, wine and liquor to the public. I am unaware of consumer groups or community groups coming forward to request this drastic change in state law. This is legislation designed to fit the corporate grocery store business model and does not create benefits for our state or communities. In fact, we have talked to a number of Missouri folks who complain that it is not convenient to have to go into a grocery store and stand in line to pick up their chosen adult beverages. Because there are corporate sales allowed in Missouri and liquor stores are fewer and farther between, most customers get their products at the grocery store or convenience store – and the selection is limited. If you are interested in buying local wines or craft beers, they are less likely to appear on the shelves. I suppose there is perception in the idea of convenience and choice.

With Kansas unemployment rates at historic highs, we should be looking at measures to retain and add local jobs – not considering legislation that will kill Kansas businesses and jobs and send profits out of state.

Thank you for your time.

Joe Spinello

(5)

Senate Federal and State Affairs Committee

Feb 2, 2011

Yes, the great state of Kansas is having a tough time of it coming out of the recession of 2007-2009, just like many others. Now, a coalition of large, multi-state corporations comes before you and tells you that miraculously, they have the cure to our $550 million budget shortfall. Kroger, Wal-Mart, Quiktrip and Hivee want you to believe that if you completely throw out Kansas liquor laws, they will hire thousands and build stores across the fruited plains, generating millions of dollars of extra tax revenue. I submit that Kansas Liquor laws work well and this latest in a long line of hocus pocus excuses from big, out of state business' to selectively change a law to enrich them is just that; hocus pocus. These companies fiercely compete against each other and have beaten down their margins so much that now they want you to sacrifice thousands of other peoples jobs and lives to benefit theirs.

The grocery store coalitions study says that the liquor store industry "fills a valuable segment of consumer demand", but since it is smaller than the total grocery/convenience store sector, we're not as important, not as economically desirable. They say we pay less than grocery/convenience stores. Sure, if you combine the payroll of the Dillon's store across the street from my store, with many managers, pharmacists, butchers, etc. the average payroll per employee is larger. But the clerk checking you out at the register makes LESS than my clerks do. If you take away my store, that Dillon's won't hire any more people than they have now. Their own study shows (page 4, table 2) that grocery stores have the same employees per establishment, whether or not they sell liquor.

So to believe the hocus pocus the grocery coalition is putting forward, you must believe that they will then open more stores, right? Well, they seem to be opening plenty now, just not where their marketing on this effort would lead you to believe. Quiktrip (see Wichita Eagle articles 11/19/09, 2/2/10, 9/16/10), sometimes without regard to nearby residents (9/16/10), and Kwik Shop are pretty busy (Eagle 1/23/10). But, wait! Let's look at where they're building. According to Quiktrip spokesman Mike Thornbrugh, "the companys employee costs make it essential to locate in high-volume, large-population metropolitan areas; we need a large population base." Thornbrugh also lays out their strategy on the border with Missouri also, (Kansas City Star, 8/25/09) when he says "its pure economics. Gasoline is six cents higher in Kansas and tobacco is 50 cents more per pack". I don't believe that this record shows that the grocery coalition would suddenly change their business strategy simply because they could sell wine and liquor.

The grocery coalition is once again trying to take a red pen to the Kansas Liquor laws to suit their own ends. In this tumultuous time, the last thing the Kansas Legislature needs to do is completely throw out thousands of jobs with the faint hope that they will reappear under a different sign. And even more dangerous, you would be doing that with product that requires much supervision in its delivery with no idea of how much the added cost would be to oversee hundreds of new outlets.

I urge you to vote no on the hocus pocus of Senate bill 54.

JEFF BREAULT
R&J DISCOUNT LIQUOR
WICHITA, KS

Sn Fed & State
Attachment 5
2-16-11

kwch.com/news/kwch-bill-introduced-to-expand-kans-01252011,0,335786.story

# kwch.com

## Bill introduced to expand Kansas liquor sales

By Megan Strader

KWCH 12 Eyewitness News

4:55 PM CST, January 25, 2011

(WICHITA, Kan.)

Kraus Foods has always been a part of Jeff Kraus' life. But in recent years, the small Colwich store has struggled to compete with larger chains in Wichita .



So you'd think the opportunity to sell something new, would be something Kraus would be all for - especially in beer section of the store.

"We'd probably take advantage of it, if the opportunity were there, but I don't know if it would be a big boom in business for us."

Kraus can only sell 3.2 beer, just like any grocery or convenience store in Kansas. But a new bill was introduced to the Kansas Senate Tuesday morning that could change that.

The Coalition for Jobs and Consumer Choice is pushing the bill. It's members include large chains like Walmart, Quik Trip and Dillons. The bill would allow grocery and convenience stores to sell liquor, wine and stronger beer.

Not exactly good news for liquor stores. Jeff Grantham has had the title of liquor store owner for just two days and is already dealing with the idea of a lot of increased competition.

"Not thrilled about it, from a business stand point." He says his new store at the corner of Maple and Tyler could likely survive the idea of grocery and convenience stores selling the same products, but knows a lot of others wouldn't.

"A mom and pop store that has three cooler doors, if they're anywhere near a grocery store, I don't know how they could survive."

Supporters of the bill say the change would create jobs, increase sales and put more money back into the economy. Grantham points out that he feels people aren't going to buy more alcohol simply because they can buy it at their grocery store.

He says the only stores who would really benefit from the change are the large chains pushing the legislation forward.

A feeling echoed by grocery stores already competing with them. Which is why owners like Kraus say they aren't necessarily supporting the legislation.

"I don't think it would hurt but I think it would help some a lot more than others, and we wouldn't necessarily be on the end that benefits the most."

A Senate committee will hold hearings on the bill February 1, 2.

The Wichita Eagle
Kansas.com

Back to web version

Sunday, Jan 16, :

Posted on Thu, Sep. 16, 2010

# QT to go at Orme, Hillside over neighbors' objections

BY BILL WILSON
The Wichita Eagle

QuikTrip will open its 40th local store in east Wichita in the spring of 2011, over the objections of several nearby residents.

The new store on the southwest corner of Orme and Hillside got Wichita City Council approval Tuesday, despite almost 50 percent opposition from the neighborhood.

Nonetheless, QT spokesman Mike Thornbrugh in Tulsa said Wednesday that the company plans to break ground soon and develop a store that will fit nicely into the neighborhood.

"These are the people who we hope are coming in every day," Thornbrugh said. "We've reached out to them in the planning process, told them of our plans and our door will remain open as we build."

Thornbrugh said Kellogg traffic made the site attractive for expansion.

"Most people in the retail business like corners, and we're no different," Thornbrugh said.

The new store, about 4,600 square feet, will be similar to most of the new, larger QuikTrips built in Wichita.

It will include gas pumps to serve 12 to 16 cars at a time, the QT Kitchens line of fresh fast food and the chain's usual line of convenience items.

About half of the neighbors in the Hillside and Orme area opposed rezoning for the store, according to documents provided by the city of Wichita.

Concerns centered on increased traffic, diminished safety and lower property values.

"It doesn't take a rocket scientist to know that a 24-hour convenience store with gas pumps will in no way bring any benefit to a quiet, tree-lined residential neighborhood," wrote Robert McCann.

Mark Schuyler, a dentist with offices at 639 S. Hillside, said the proposed site "(has) a potential to make this area, in my opinion, a very dangerous area to drive and walk."

Thornbrugh said Wednesday that the company intends to construct a berm to set the store off from nearby homes and will landscape it in accordance with the neighborhood.

QuikTrip, founded in 1958 in a Tulsa strip mall, has more than 550 stores nationwide. It is renovating Wichita locations and is expanding in markets such as Dallas, Phoenix and Tucson.

The company still plans to build a new convenience store at 39th North and Ridge Road in northwest Wichita.

Reach Bill Wilson at 316-268-6290 or bwilson@wichitaeagle.com.





5-4

KansasCity.com
THE KANSAS CITY STAR.



Sunday Jan 30, :

Posted on Tue, Aug. 25, 2009

# QuikTrip razes store on Kansas side, will open one 100 feet away in Missouri

The QuikTrip store on Southwest Boulevard is half in Missouri, half in Kansas.

Most customers might not have noticed or cared — until now.

The company on Monday started bulldozing the store at 27 Southwest Blvd. and will open a new store about 100 feet away. When it opens in late October, that store technically will be a Missouri business and customers won't have to pay the higher Kansas taxes on cigarettes and gas. They also will be able to buy liquor with stronger alcohol content than 3.2 beer.

"It's pure economics. We want that store to survive," said Michael Thornbrugh, spokesman for QuikTrip. "Quite frankly it was a mediocre store. This gives our customers more options. Gasoline is six cents higher in Kansas, and tobacco is about 50 cents more per pack or $5 a carton."

The 15 or so employees will temporarily transfer to other area QuikTrip stores during the construction.

Thornbrugh said the company has done such a move before, including relocating a QuikTrip on Rainbow Boulevard to the Missouri side of the state line. But that store relocated blocks away, not feet away.

As for Kansas City, Kan., it will surely miss the tax dollars from the Southwest Boulevard location, which has been operating since at least the mid-1980s.

"It's unfortunate that this particular business has decided to move across the state line at a time when our city continues to make great progress," said Edwin Birch, spokesman for theUnified Government. "Wyandotte County has attracted new and one-of-a kind business developments to our region as many business owners continue to see opportunities for growth in Wyandotte County and Kansas City, Kan."

But QuikTrip's Thornbrugh said changes may need to be made to keep some border businesses in Kansas City, Kan.

"They are great to work with but their hands are tied. It's unfortunate that the city and county has no say," he said.

*To reach Joyce Smith, call 816-234-4692 or send e-mail to jsmith@kcstar.com.*

The Wichita Eagle
Kansas.com

Back to web version

Sunday, Jan 30, 2

Posted on Tue, Feb. 02, 2010

# Three projects on menu for QuikTrip in Wichita

BY BILL WILSON
The Wichita Eagle

Expect to see those QuikTrip "under construction" signs popping up around Wichita in 2010.

The Tulsa-based convenience store chain promises another year of tweaking the business model in Wichita, where it operates 37 convenience stores.

Tweaking means new stores, bigger stores and potentially relocated stores, said spokesman Mike Thornbrugh.

What it probably doesn't mean is a bigger Kansas footprint, due in part to what QuikTrip officials call the state's "antiquated" liquor laws.

Three projects are under way in Wichita, Thornbrugh said:

* A "scrape and build" at Douglas and Washington, where a new, larger store will be built.
* A new store in the 12000 block of East 21st Street due to open in April.
* The company's 38th Wichita store is in the works at 39th North and Ridge Road, although no work has begun.

The new 4,600-square-foot stores — up from a little over 3,000 — and expansions are in response to QuikTrip's growing line of food and drink products, Thornbrugh said.

They're also being developed with an eye toward more gasoline pumps and larger spaces for traffic to flow through.

Fresh food heads the list of lines QuikTrip may expand.

"Everything we need is now in place — the five bakeries, the transportation systems, all the employees," Thornbrugh said. "Now we need to focus on expanding the menu, and it takes time to do that."

Convenience stores are dipping more into the fast-food market, the sector of the restaurant industry prospering in a down economy, said Cindy Claycomb, a marketing professor at Wichita State University.

"Generally with a convenience store, people are willing to pay a little more for the convenience, but in a poor economy they don't have as much money," she said.

"That doesn't seem to be the case here. If the (price) gap isn't too much, people will utilize the convenience."

QuikTrip's also evaluating its older Wichita locations, turning to the "scrape and builds," building a new store while the old one remains open, then knocking down the old building for parking and gas pump space.

New locations are a possibility where land isn't available for scrape and builds, Thornbrugh said.

What isn't likely from QuikTrip is a Kansas expansion beyond the Wichita market, Thornbrugh said: The company's store and employee costs make it essential to locate in high-volume, large-population metropolitan areas.

"We never say never," he said. "But what we're doing now with the amount of money we spend on stores, personnel and benefits, we need a large population base.

"So our expansion plans based on those costs are in places like Dallas, Phoenix and Tucson."

Further Kansas growth is hurt by liquor laws, Thornbrugh said.

"In QuikTrip's eyes, in the 21st century, it makes zero sense to have two classifications of adult beverages," he said.

"If that changes, the possibilities of not just QuikTrip but others expanding and entering the market is pretty likely."

Reach Bill Wilson at 316-268-6290 or bwilson@wichitaeagle.com.

The Wichita Eagle
Kansas.com

Back to web version

Sunday Jan 30

Posted on Thu, Nov. 19, 2009

# Downtown QuikTrip to get bigger store

BY BILL WILSON
The Wichita Eagle

QuikTrip's latest Wichita project is coming to downtown.

The Tulsa-based convenience store chain has scheduled a "scrape and build" project at Douglas and Washington, the latest move to renovate and modernize its Wichita stores.

QuikTrip spokesman Mike Thornbrugh said the existing 3,200-square-foot store, which is one of the company's oldest in Wichita, will remain open while a new 4,600-square-foot store is constructed just to the north, similar to a recently completed project at Douglas and Seneca.

Then, the old store will be scraped away to make room for a larger parking lot and more gasoline pumps.

The company has purchased a former auto repair shop north of the current store, QuikTrip officials said, and the city of Wichita is considering a zoning application to vacate an alley just north of the store.

A start date isn't clear, Thornbrugh said, but the company hopes to open the new store next summer.

QuikTrip is moving toward larger stores, Thornbrugh said, to handle a new emphasis on fresh-made sandwiches and pastries as part of its move into the fast-food industry.

QuikTrip, founded in 1958 in a Tulsa strip mall, has nearly 530 stores nationwide, including almost 40 in Wichita. It is renovating Wichita locations and is expanding in markets such as Dallas, Phoenix and Tucson.

Local stores in progress include projects near 39th North and Ridge Road and in the 12000 block of East 21st Street.

The company also is offering vacant land it owns near two relatively new stores — at 143rd East and Kellogg and in Derby — according to the company's Web site.

Reach Bill Wilson at 316-268-6290 or bwilson@wichitaeagle.com.





5-7

The Wichita Eagle
Kansas.com



Monday, Jan. 10

Posted on Sat, Jan. 23, 2010

# Kwik Shops to try expanded stores

BY BILL WILSON
The Wichita Eagle

Construction has begun on two pilot Kwik Shop expansions in northwest Wichita, as the division of Kroger targets underserved food and prescription niches in its battle with QuikTrip for convenience store market share.

Expanded stores at 53rd North and Maize Road and 37th North and Ridge Road should be open sometime in May, said Kwik Shop president Jeff Parker.

Kwik Shop, based in Hutchinson, will add deli space to offer more prepared foods, expanding its response to QuikTrip's venture into fresh foods. It also will offer a pharmacy staffed by Kroger's Dillons division.

"We think the two services kind of go together," Parker said. "We try to be convenient for the customer and what they need, whether that be a rotisserie chicken or a prescription."

Quik Trip spokesman Mike Thornbrugh said pharmacies "aren't even on our radar right now."

"We've talked about it, but right now there's nothing like that coming," he said.

However, the Tulsa-based chain will wage the prepared-foods market share battle with Kwik Shop, Thornbrugh said.

"We've made no secret that we're going to add an arrow to our quiver in that we're committed to the fresh food offering," he said. "Well, what constitutes fresh food? Ultimately, it could be anything."

The expanded food offerings are next, Thornbrugh said, with the company's infrastructure complete for its daily fresh food deliveries to stores — commissaries, bakeries, staff, delivery systems.

Quik Trip also is expanding its Wichita locations, building bigger stores with more gas pumps.

The Kwik Shop expansions are driven by the success of a similar layout in Florida, in Kroger's Tom Thumb division, Parker said.

The 4,000-square-foot stores will expand by more than 2,000 square feet, with work on the north and south sides. Employment will rise significantly, Parker said, with five to 10 more workers. Wichita's Conco Construction is the contractor. The work includes expanded driveways to allow drive-through service and easier customer access to the store.

The Florida Tom Thumb store "has been a definite success," Parker said, and if Wichitans buy into the expanded convenience concept, other bigger Kwik Shops are possible.

"We do have Dillons pharmacies throughout Wichita," he said. "This kind of helps to fill in in spots where customers might not have easy access to a pharmacy."

Reach Bill Wilson at 316-268-6290 or bwilson@wichitaeagle.com.

(6)

Plaschka & Kramer Retail Liquor
1455 Hwy 59
Princeton, KS 66078

Hello my name is Brandon Plaschka. In 2006 I bought the retail liquor store that my parents had owned for twenty years. Later that same year I bought the convenience store/gas station next door. These stores are in Princeton, KS about six miles south of Ottawa and they are the main hub in our small community. They provide many jobs and services to our rural patrons. My family and I are very giving to our community with our time, resources and financially as well.

Numerous economic studies say that income to a locally owned business is spent 7 times in the local economy. My business income stays here.

The current liquor laws do not prohibit anyone from getting retail liquor license. Kansas is not a control state, where the city or state owns retail sales. We have a competitive private system with only minimal location restrictions (200 feet from a church, school or college). We do not have limited licenses based on population. We do not have limited licenses based on jurisdiction. Many states do have restrictions. Under current law, you could put a liquor store on every corner if you meet the requirements.

If the sale of liquor would help the rural grocery stores, then I encourage them to open a store. I did.

My parents taught me long ago that it is very rare to get something for nothing. Yet that is what this bill is all about. I wanted to get into the liquor business so I bought a liquor store. Later I wanted to get into gas and convenience sales so I bought that store. If I wanted to get into the grocery business, a car business, jewelry, pharmacy, etc. I could. Just as the proponents of this bill can. Why should Kansas strip our regulatory system to give them the ability to sell liquor when they already can by meeting the qualifications? What is the benefit to Kansas?

We, liquor store owners, have been accused of not wanting or avoiding competition. Quite the contrary, we are not proposing to limit the number of liquor licenses or asking to change the laws to benefit us in any way. These laws have been in place a long time and are not broken, so why change them? The proponents have the same opportunities that I do. This is America and Kansas laws are set up to allow free enterprise. If they want to enter into the liquor business, they need only have the desire and the right qualifications, and if they want to set up right across the street from me, they can, and I wish them good luck!

As a liquor store owner and c-store owner, I already sell tobacco and motor fuels. The proponents will argue that they are giving me an opportunity to sell items other than liquor. This is a right I already have. If I wanted to sell what the big box stores sell, I could open one and go head to head with them. If I wanted to be a grocery store, I could open a grocery store. I'm not asking for that because I don't want to sell those products.

I have chosen my career path just as most of you have chosen what you want to do with your life. Imagine someone asking for a part of what you have invested so much in – but they don't want to earn the license you have earned and they don't want to obey the laws that you obey or be subject to the same penalties.

Many of us represent family businesses, which have been here for decades. These businesses are our livelihood and lifelong investment. The proponents of this bill are likely hard working folk as well and many of them are maintaining family legacies, surely we can all see that if the tables were turned and we wanted to take something from them, it would be like asking for something for nothing.

Sn Fed & State
Attachment 6
2-16-11

# KANSAS ASSOCIATION OF BEVERAGE RETAILERS

P.O. Box 3842, Topeka, KS 66604
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## TESTIMONY PRESENTED TO THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

February 16, 2011
By Amy A. Campbell, Executive Director

Mr. Chairman and members of the committee, my name is Amy Campbell and I appear before you as an opponent to SB 54 on behalf of the Kansas Association of Beverage Retailers.

There is a perception that legislation to deregulate the sale of alcohol – whether by selling stronger beer in cereal malt beverage outlets, or by allowing liquor, wine and beer in grocery stores - will modernize our state and promote positive change by eliminating an outdated product. Many people look at Missouri as a positive example and suggest our alcohol distribution model should look more like our neighbors to the east. In fact, Missouri drunk driving statistics have regularly exceeded the national averages. (Source: NHTSA, National Center for Statistics and Analysis 2003 - 2006)

Every national study indicates that allowing individuals under the age of 21 to sell alcohol leads to increases in minors obtaining alcohol. It is a simple truth of human nature: 19 year olds are more likely to sell alcohol to their 19 year old friends. But it must be clear to everyone that although this bill specifically says that clerks must be 18 to sell strong beer and wine and 21 to sell spirits - it puts alcoholic liquor into the hand of employees under 18 who are working away from the registers. According to current law, a liquor store can't employ anyone under 21 for any purpose.

**What are the license changes represented in SB 54?**

The bill creates three types of licenses: (A) sell strong beer - $100 (B) sell strong beer and wine - $250 and (C) sell strong beer, wine and spirits - $500. The bill will allow (A) and (B) licensees to have 18 year old clerks sell the product. The bill will cap the number of type (C) liquor licenses at current numbers (right now it is 762) for three years and allow liquor retailers to sell their license during that period. Wine and beer licenses become deregulated immediately (Jan. 1)

If the retailers is not anxious to sell out the family business, or does not receive a fair offer – the law opens up class C licenses to all applicants after the three year moratorium. The idea is that the moratorium will provide three years to "get ready" for full competition by remodeling or reconstructing the current retail business to sell additional products like tobacco, groceries or fuel. At least this is some acknowledgement that SB 54, and the proposals we've fought in the past, will immediately slash the value of current retail liquor businesses.

SB 54:

- Allows corporations to own liquor stores
- Allows chain liquor stores
- Exempts corporate owners from the majority of license requirements, including U.S. residency, felony convictions, having to be 21 years of age, etc.*
- Removes the Kansas residency requirement to get a license
- Allows the business to sell other products
- Would require only persons 21 years of age to sell spirits and 18 years of age to sell wine and strong beer – but doesn't state how that would be regulated. (Does not define "sell".)
- Repeals K.S.A. 41-103 – which requires the separate sale of 3.2 cereal malt beverages , creating a duplicate licensing system for retailers who choose to sell strong beer and cereal malt beverage products. Needs some specific direction for the prioritization of regulatory authority.
- Repeals part of K.S.A. 41-308 – which prohibits a retail liquor store from giving away things of value, as well as the prohibition against entertainment, pinball machines, or games of skill or chance. It appears the rest of the statute is retained by New Section 2.

- The Strong Beer bill and the Grocery Store bill put strong beer and liquor in the hands of underage individuals: to stock it, to sell it, to resist the temptation to provide to their friends or to pick up for themselves.

  According to Preventing Underage Alcohol Access: Essential Elements for Policy, Deterrence and Public Support, a public policy guide by the Prevention Research Center, recommends a number of methods to reduce underage access to alcohol with the first being "BEST PRACTICE: Require that all retail alcohol outlet employees who are engaged in the sale or service of alcohol be at least 21 years of age."

- If liquor stores took over the sales of cereal malt beverages from the convenience stores and grocery stores, **not one of them would lose their businesses**. However, the reverse situation would cause irreparable damage to those stores whose sales of beer can be as low as 40% of their sales and as high as 80%. These sales statistics are common for liquor retailers. Is this the reward for liquor store owners who have built their businesses by working within a stringent licensing and regulation system?

  What is the motivation to expand sales for these major corporations?

- **Sales Tax Impact.** Senate Bill 54 attempts to reallocate tax dollars and replace revenues to be lost by communities from cereal malt beverage sales taxes. This puts cities and counties into the unenviable position of relying on the State to transfer their portion. The distribution formula is based on population – which will redistribute dollars from small communities that may have only CMB retailers in that jurisdiction or are located by a State Park or Lake.

- **It is not true that this legislation provides a level playing field.** It is my understanding that grocery stores make a portion of their income in selling shelf space and sections of advertising to vendors. Product pricing is kept as low as possible through volume discounts at the wholesale and retail level. Size is everything. These practices are strictly prohibited with alcoholic liquor. Assuming a liquor store owner is financially situated to expand his business to sell these other products, he will not be able to compete at these strategies with a grocery store. Even in a new building, he won't have that kind of space nor that kind of consumer traffic. So, his only profit off of the new products will simply be the straight markup.

- **Likewise, the days of sale need to be addressed.** The bill continues to allow the cmb retailer to sell beer on Thanksgiving and Christmas. How will that be regulated when there is also Strong Beer on those shelves?

- If the Committee wishes to change how alcohol is sold in Kansas, KABR would respectfully request this Committee consider an amendment that would require all alcohol beverages and cereal malt beverages be sold by licensed retail liquor stores. Simply delete all references to cereal malt beverage retailers, the cereal malt beverage act, and sell all products under the Liquor Control Act.

**The Case for Compliance**

**Kansas retail liquor stores have proven compliance rates in preventing underage sales – typically ranging from 80% to as high as 88%. There are no statewide compliance rates for grocery and convenience stores.**

Now, the proponents would have you believe that they are better than liquor stores at checking I.D.s. They use tobacco compliance numbers to make this case. National statistics show that convenience and grocery stores have a worse record than liquor stores as it relates to selling alcoholic beverages.

The Kansas ABC does not track underage alcohol-sale compliance in convenience and grocery stores. It only tracks underage alcohol-sale compliance for Kansas owned retail liquor stores. Anyone who makes this claim is comparing convenience and grocery store tobacco compliance rates to Kansas liquor store alcohol compliance rates. This is comparing apples to oranges.

What is a fact is that convenience and grocery stores have a much higher failure rate nationally than liquor stores when it comes to selling alcohol to minors. The National Research Council Institute of Medicine found 70% of minors nationwide purchase their alcohol from grocery and convenience stores.

It also took the state of Kansas hundreds of thousands of dollars in order to get convenience stores to reach a high compliance rate! In 2005, Kansas convenience stores had a tobacco sales compliance rate of 62%.

At that time, this forced Kansas to choose between taking a $5.4 million reduction in SRS block grant funds or pay a $2.2 million penalty to be used to raise the compliance rate. Is Kansas prepared to make the same investment again to develop compliance rates for the new category of licensees?

**The Real Impact**
We can not emphasize enough the negative impact this legislation will have upon the retail liquor stores' business throughout the state. Many may have the harsh opinion the number of retailers lost is an immaterial factor. However, I would submit that this is extremely important, as this Legislature established the business practices and structure under which 762 retail liquor store owners must now operate. Therefore, we assert you should feel a type of fiduciary duty towards these individuals to protect their business from unfair competitive advantages. Why should they need to spend tens of thousands of dollars to simply continue to compete in their current business? What is gained?

The proponents state that they doubt if any liquor stores would go out of business. According to the 2008 fiscal analysis developed by the Distilled Spirits Council of the United States:

*"Currently, the 726 package stores allowed to sell full strength beer sell an estimated 17,600 cases per year. Accounting for both the new beer volumes and the new number of full strength beer licenses, the average number of cases sold per outlet will decline to around 4,480 cases per year.'*

*For the new full strength beer licensees, most of the new volume will be incremental (except that volume which is replacing 3.2 beer sales). Thus, grocery and convenience stores will be able to sell comparatively low volumes of .. beer profitably. Obviously, this does not preclude large supermarkets from selling tremendous volumes. What it does mean, however, is that the 3,790 convenience and grocery stores in the state will be able to take sales away from traditional package stores."*

*"Accounting for both the lost spirits sales and lost beer sales, total package store revenues would decline from $461.3 million to $254.6 million – a 45% reduction."*

*"Clearly, not all businesses could withstand a 46% decline in revenues. As a result, we would expect a decline in the number of package stores."*
*"The $254.6 million in total package sales would support a total of 509 package stores. Thus, 217 package stores are projected to go out of business. Naturally, as the number of package stores declines, the availability of spirits will decline as well."*

*(The analysis relies on Kansas sales statistics, market analysis by Gallup Organization, Sept. 29, 2006; and tax receipts by the Kansas Department of Revenue.)*

The proponents have doubted our statements, and if this analysis is not convincing enough for you, we have a copy of an economic impact assessment by Summit Economics, LLC, regarding Colorado economic losses that would occur if strong beer legislation passes there. It states: *"The Colorado Liquor Stores will lose 50 percent of full-strength beer sales to supermarkets and convenience stores in the first year alone. They will lose 70 percent of beer sales within 3 to 5 years. It is estimated that 40 percent or 700 of the stores will be forced to close within the first 3 years. This will result in the loss of 4,830 wage and self-employment jobs. Overall the Colorado Liquor Stores will lose $700 million in annual revenues, resulting in a permanent $90 million loss in annual wages and proprietor income earnings. These losses will continue through the fifth year. After the fifth year the new market structure will stabilize with 900 fewer stores. There will be 5,500 fewer jobs in the industry, resulting in a loss of $120 million annually in employee and proprietor earnings."*

**KABR stands ready to cooperate with Kansas leaders to promote public safety and maintain a reliable regulatory system. We continue to support the rule of law and provide education to assist our members in being strong, locally owned, law abiding community partners. If there are changes that need to be made to benefit Kansans, we will help to see them through.**

**Please reject Senate Bill 54.**

Thank you, Mr. Chairman, and members of the Committee for your kind attention.

# SRS SYNAR (Activity Agreements) ROADMAP

| | Expenditure | |
|---|---|---|
| **FY 2005** | | |
| Shawnee Prevention & Recovery Services | 150,000.00 | Coordinate implementation of a comprehensive Synar plan |
| | **$ 150,000.00** | |
| **FY 2006** | | |
| Kansas Department of Health & Environment | 30,000.00 | Television advertising targeted to youth ages 12-17 |
| Office of the Govenor | 112,859.00 | Synar Program Coordinator position |
| Paxis Institute | 114,477.00 | Statewide Reward and Reminder Program |
| Kansas Department of Revenue | 4,800.00 | Perform tobacco enforcement inspections and related activities; conduct compliance checks at retail locations determined to be at high risk of non-compliance. |
| Kansas Department of Revenue | 12,600.00 | Synar Compliance Inspections |
| Center for Learning Tree Institute | 23,528.00 | Purchase of 85 handheld devices for tobacco compliance |
| Reward and Reminder | 99,462.00 | RPCs to serve as fiscal agents and responsible entities for the implementation of the PAXIS Reward and Reminder program |
| Synar (IEB) Grants | 192,811.53 | Project to educate communities, policy makers and retailers about youth tobacco addiction costs, youth access laws, and ordinance enforcement needs through strategic mass media and grant materials. |
| Go To Meeting Software | 3,185.00 | Coordination meetings misc. expense |
| Kansas Family Partnership | 146,656.00 | Develop, print, & disseminate merchant education materials, tobacco retailer training video, and media materials for state and local use; obtain monthly press clippings regarding tobacco compliance |
| | **$ 740,378.53** | |
| **FY 2007** | | |
| Paxis institute | 110,523.00 | Statewide Reward and Reminder Program |
| Kansas Department of Revenue | 120,700.00 | Perform tobacco enforcement inspections and related activities; conduct compliance checks at retail locations determined to be at high risk of non-compliance. |
| Kansas Department of Revenue | 364,081.00 | Cigarette and Tobacco Enforcement Activity (CATE) |
| Kansas Department of Revenue | 35,000.00 | Synar Compliance Inspections |
| Center for Learning Tree Institute | 25,000.00 | Create database for the collection of Tobacco Enforcement Inspections |
| Reward and Reminder | 210,672.00 | RPCs to serve as fiscal agents and responsible entities for the implementation of the PAXIS Reward and Reminder program |
| Synar (IEB) Grants | 432,396.17 | Project to educate communities, policy makers and retailers about youth tobacco addiction costs, youth access laws, and ordinance enforcement needs through strategic mass media and grant materials. |
| Go To Meeting Software | 3,095.00 | Coordination meetings misc. expense |
| Kansas Family Partnership | 141,959.00 | Develop, print, & disseminate merchant education materials, tobacco retailer training video, and media materials for state and local use; obtain monthly press clippings regarding tobacco compliance |
| | **$ 1,443,426.17** | |
| **FY 2008** | | |
| Kansas Department of Revenue | 167,520.69 | Cigarette and Tobacco Enforcement Activity (CATE) |
| Kansas Department of Revenue | 56,500.00 | Synar Compliance Inspections |
| Paxis Institute | 12,499.98 | Statewide Reward and Reminder Program |
| Colorado BARS, Inc. | 69,080.00 | Retail Education |
| Kansas Family Partnership | 500.00 | Maintain and distribute Synar compliance resource materials |
| | **$ 306,100.67** | |

**FY 2009**

| | | | |
|---|---|---|---|
| Kansas Department of Revenue(CATE) | $ | 540,975.74 | Cigarette and Tobacco |
| Kansas Department of Revenue(Synar) | $ | 46,600.00 | Synar Compliance Insp |
| Colorado BARS, Inc. | $ | 30,920.00 | Retail Education |
| Kansas Family Partnership | $ | 500.00 | Maintain and distribut |
| | | **618,995.74** | |

**FY2010**

| | | | |
|---|---|---|---|
| Kansas Department of Revenue(CATE) | $ | 602,239.00 | Cigarette and Tobacco |
| Kansas Department of Revenue(Synar) | $ | 47,100.00 | Synar Compliance Insp |
| Kansas Family Partnership | $ | 1,000.00 | Maintain and distribut |
| | | **650,339.00** | |

(8)

K • A • N • S • A • S
WINE & SPIRITS
WHOLESALERS ASSOCIATION

February 16, 2011

To: Senate Committee on Federal and State Affairs
From: R.E. "Tuck" Duncan , General Counsel
RE: SB 54

I appear here today to advise the committee as to the rationale of distributor opposition to SB54. I will not reiterate the testimony regarding the inadequacy of the economic model as justification for the restructuring of the retail industry in Kansas, nor will I repeat the concerns of retailers that the moratorium is merely "smoke and mirrors." *

What I will address in the limited time allotted are (1) the effects such a change will have on the distribution tier and the consumer price of goods as a result of a major readjustment in the manner of the distribution of goods and (2) the underlying public policy issues that you as legislators may want to consider in addressing this issue.

**EFFECTS OF SB 54 ON THE WINE AND SPIRITS DISTRIBUTION TIER**

No one is suggesting that there will be an increase in the amount of the gallonage of product - beer, wine and spirits - consumed in Kansas as a result of this realignment of points of sale.

The proponents study states: *"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."*

Over the past decade there has been a modest increase in gallonage of all product categories of 15%, and that at a time when Sunday sales became effective.

There will be a regulatory cost, as the fiscal note from the Dept of Revenue states: "SB 54 would increase [state government] expenditures by $1,654,564 in FY 2012."

In the words of a former Kansas Secretary of Revenue, the beverage alcohol system is akin to the gossamer thread of the spider web, when you tap it at any point, the movement sends ripples throughout the rest of the web, e.g. system.

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***Smoke and mirrors** is a metaphor for an insubstantial explanation or description. The source of the name is based on magicians' illusions, where magicians make objects appear or disappear by extending or retracting mirrors amid a confusing burst of smoke. The expression may have a connotation of virtuosity or cleverness in carrying out such a deception.

Sn Fed & State
Attachment 8
2-16-11

The proponents suggest that there will be a considerable expansion of the points of access to grocery, convenience stores, big box stores, drug stores, and perhaps other outlets for which there will be substantial economic benefit. Whether that is true is controverted.

And let me be clear – we do not support SB54. We have an orderly system that functions well today that does not need restructuring.

Nonetheless, if the committee answers the policy questions I pose below affirmatively, then from our perspective having more than one type of license is unnecessary. It is not the license type that SB54 presents as a policy issues. The changes this bill proposes are more basic:

Can a corporation have a license?
Can there be multiple retail license ownership?
Should qualifications for license be diluted ?
Should persons under 21 years of age sell the product?
Can you sell package alcohol anywhere?
Will there be transferability of licenses and therefore equity/blue sky value?

As distributors we suggest that there be just one (1) license for the retail sale all the categories of products which we as distributors are allowed to sell: wine, beer and spirits.

We have contracts to distribute these multiple products and if you are going to expand the outlets, then there is no reason not to afford us the opportunity to meet our contractual obligations by distributing all categories of products to all licensees. Generally the wine and spirits wholesalers have over 15,000 SKUs in their respective warehouses. *Why shouldn't we be afforded the opportunity to sell all our products to a retail establishment?*

Alcohol is alcohol whether consumed in beer, wine or spirits. "A person's blood alcohol content , then, is more dependent on how much and how long the person has been drinking than on what the alcohol content is of the beverage." (*Social and Economic Control of Alcohol*, Jurkiewicz and Painter, 2008, p.226, *discussed infra*.)

Current law provides that the cost of distribution is to be incorporated into the bottle and case price of goods f.o.b. the warehouse. If there is no net increase of goods, but an increase in and a dispersing of delivery points (at a minimum 2321 based on current CMB licenses, (Source: KS ABC map attached) that means smaller payloads and more miles. More miles, more delivery vehicles, more personnel, more cost. One of the pioneers of this industry schooled me that the consumer always pays for the cost of distribution.

We estimate that based on SB 54 as drafted the costs for capital investment and additional operating expense will be an annual cost within the range of $7.5 to $10 million based on the addition of sales reps system wide by 30, increase in merchandisers by at least 25, increase in drivers by approximately 36, increase in operations personnel by 20, increase in fuel by $1 million per year, increase in the delivery fleets by 30 plus trucks, and one time expenses for more advanced ERP systems estimated at $5 million.

We anticipate that there will be an increase in the shelf price of goods. We suggest that if the committee advances this bill that to off-set this effect it amend the legislation to permit distributors to establish order minimums for quantity and/or dollar amounts, to apply uniformly. This is a standard practice in other sectors of the food industry.

It is worth noting that the distribution tier has spent the last two decades ringing out cost inefficiencies. Through a combination of improved technology, cooperative delivery, and smart inventory control there is minimal fat in the delivery system.

Therefore, to ramp up to serve this new profile we need 18 months, not the six months contemplated by SB 54 and ask that if the bill moves forward the effective dates be modified accordingly.

We also have a concern about unintended consequences. Currently Kansas is one of two states with a four tier sales structure. On-premise restaurants purchase their wine and spirits not from distributors but from retailers that concurrently possess a federal permit to make these sales. As there is contraction of the retail stores (by one half) it is uncertain that these new retailers will want to sell to and carry the broad inventories needed to service on-premise accounts or to do so at today's margins of just 2-3 percent over bottle cost. These new outlets (the Hy-Vees, Dillons, Walgreens, CVS, Wal-Marts, Caseys) are primarily consumer sales oriented – not b-to-b oriented. As the restructuring settles in we anticipate a need to restructure the wholesale sale to on-premise accounts. How that effects price and regulatory costs is at this time unknown.

**PUBLIC POLICY ISSUES**

Let me now address the public policy concerns that should be considered when enacting intoxicating liquor legislation: it has been a precept of the Liquor Control Act for over 60 years that the state will preserve an orderly market. We obviously can have a healthy conversation about what is or is not an orderly market, but undoubtedly in the final analysis any new system must be one that <u>can</u> be regulated and one which the state will have the resources to regulate.

I am not an apologist for being in a regulated industry. As an industry we support the use of beverage alcohol in moderation. Abuse of our products is bad for society and for business. Most recently, for example, the caffeine-alcohol product recall demonstrated how effective and orderly a system we have in this state. Literally within days, even hours, of the directive to remove these products that job was accomplished by distributors and retailers. The FDA determined that these products contained "unsafe food additives" and per directive of the ABC, Kansas' current orderly market respond quickly, efficiently and effectively.

What we used to call *temperance* and now call *regulation* is about protecting the public. It is about having effective mechanisms in place to deter underage sales, to reduce impaired driving, to reducing the need for prevention and intervention. In so doing the system should not consume precious resources needed elsewhere or place disproportionate demands on state and local governments.

This public policy foundation began with the landmark treatise by Fosdick and Scott, *Toward Liquor Control* (1933) funded by the Rockefellers in anticipation of the adoption of the 21st Amendment and has been reanalyzed recently in the LSU Public Administration series *Social and Economic Control of Alcohol* (2008), *supra*.

That text notes that 4 in 10 Americans do not drink and "nondrinkers have a stake in this debate which regulators and legislators must consider as they try to balance public health, industry, consumer and other issues" (p.15). "Fosdick and Scott conclude that any system of alcohol control must have the approval of the community. . The new text concludes: "Americans want control over alcohol..." (p.220).

So today we are experiencing what some call a New Temperance Movement (not prohibition but restraint). This includes:

+ DUI Commission recommendations such as SB 7,
+ Interlocks
+ Defense of Community Act restraints on sale
+ Bottle Bills

*...all matters now pending before this legislature.*

How do you reconcile SB 54 with these other acts of restraint? *We can't.*

Also, none of the other states with which I am familiar have such a scheme for package sales as set out in SB 54. That is to say, it has not been since national repeal over 75 years ago ever tested and thus predictions as to effectiveness are just guesses. Other states have permanent caps on licenses and restrictions on qualifications.

**CONCLUSION**

The distribution tier foresees increased costs in servicing the system proposed in SB 54 that will be assumed by the consumer. We are concerned about unforeseen consequences by the loss of free standing retail stores that may foreshadow future restructuring as the ripples shake the web and sales are further dispersed. We do not see the need for three licenses when one will do. We support appropriate regulations that promote social policies that deter abuse and underage consumption. We oppose policies that weaken the qualifications for licensure. The total package retail beverage alcohol sales in Kansas, based on enforcement taxes, are $685 million annually which are less than one-half of one percent of the sales of the proponents of SB 54. It seems this bill will cause more disorder than order and thus we suggest that first the legislature do no harm to a system that has served Kansans well by rejecting SB 54.

*Thank you for your attention to and consideration of these matters.*

## APPENDIX "A"
## ECONOMIC IMPACT OF LOCAL BUSINESSES VS. CHAINS

The following studies have found that locally owned stores generate much greater benefits for the local economy than national chains.

<u>The Andersonville Study of Retail Economics</u>
http://www.civiceconomics.com/Andersonville
By Civic Economics, October 2004

This compelling study, commissioned by the Andersonville Development Corporation, finds that **locally owned businesses generate 70 percent more local economic impact per square foot than chain stores.** The study's authors, Dan Houston and Matt Cunningham of Civic Economics, analyzed ten locally owned restaurants, retail stores, and service providers in the Andersonville neighborhood on Chicago's north side and compared them with ten national chains competing in the same categories. They found that spending $100 at one of the neighborhood's independent businesses creates $68 in additional local economic activity, while spending $100 at a chain produces only $43 worth of local impact. They also found that the local businesses generated slightly more sales per square foot compared to the chains ($263 versus $243). Because chains funnel more of this revenue out of the local economy, the study concluded that, for every square foot of space occupied by a chain, the local economic impact is $105, compared to $179 for every square foot occupied by an independent business.

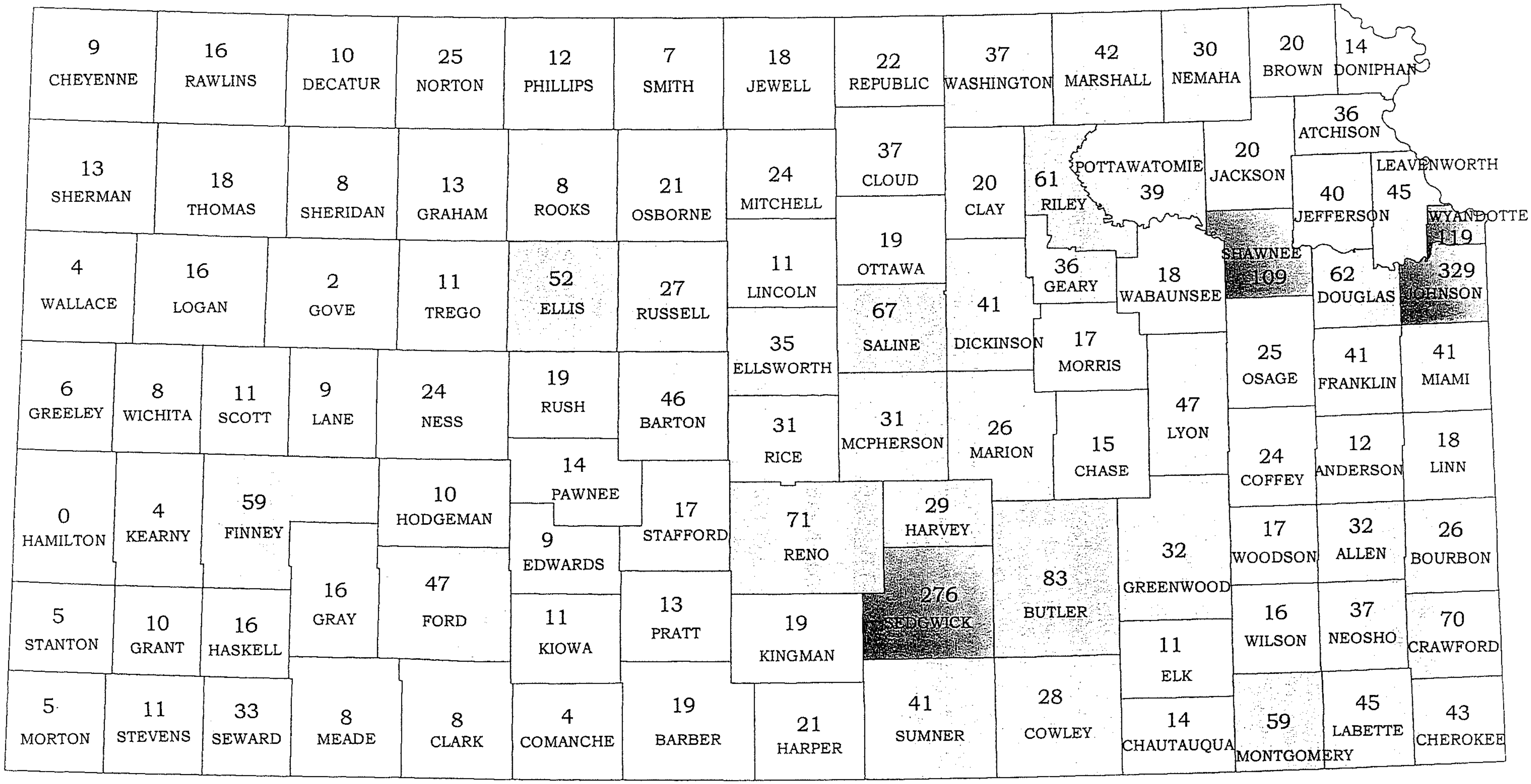
<u>The Economic Impact of Locally Owned Businesses vs. Chains: A Case Study in Midcoast Maine</u>
http://www.newrules.org/retail/midcoaststudy.pdf

by the Institute for Local Self-Reliance and Friends of Midcoast Maine, September 2003. **Three times as much money stays in the local economy when you buy goods and services from locally owned businesses instead of large chain stores,** according to this analysis, which tracked the revenue and expenditures of eight locally owned businesses in Midcoast Maine. The survey found that the businesses, with had combined sales of $5.7 million in 2002, spent 44.6 percent of their revenue within the surrounding two counties. Another 8.7 percent was spent elsewhere in the state of Maine. The four largest components of this local spending were: wages and benefits paid to local employees; goods and services purchased from other local businesses; profits that accrued to local owners; and taxes paid to local and state government. Using a variety of sources, the analysis estimates that a national big box retailer operating in Midcoast Maine returns just 14.1 percent of its revenue to the local economy, mostly in the form of payroll. The rest leaves the state, flowing to out-of-state suppliers or back to corporate headquarters. The survey also found that the local businesses contributed more to charity than national chains.

<u>Economic Impact Analysis: A Case Study</u>
http://www.liveablecity.org/lcfullreport.pdf
by Civic Economics , December 2002.

This study examines the local economic impact of two locally owned businesses in Austin, Texas---Waterloo Records and Book People---and compares this with the economic return the community would receive from a Borders Books store. The study finds that spending $100 at Borders creates $13 worth of local economic activity, while spending $100 at the local stores generates $45 in local economic activity. The difference is attributed to three factors: a higher local payroll at the independent stores (because, unlike Borders, none of their operations are carried out in an out-of-town headquarters office); the local stores purchased more goods and services locally; and **the local stores retained a much larger share of their profits within the local economy.**

# Estimated Kansas
# CMB Off-Premise Retailers




The data used for this map was derived from the 2010 Cereal Malt Beverage applications received from the cities and counties by the Alcoholic Beverage Control through January 28, 2011.

Map #AC10-020

| # of Counties | | # of Retailers Per County |
|---|---|---|
| ( 1 ) | | 0 |
| ( 19 ) | | 1 - 10 |
| ( 42 ) | | 11 - 25 |
| ( 30 ) | | 26 - 50 |
| ( 9 ) | | 51 - 100 |
| ( 4 ) | | 101 - 329 |

Total: 2,321 CMB Off-Premise Retailers

KANSAS ABC

January 28, 2011

(9)


# Testimony on Senate Bill 54
## Senate Federal & State Affairs Committee
## Spencer Duncan, M.B.A

*February 16, 2011*

Senate Bill 54 does not benefit the Kansas economy, will do economic harm to our communities and burden the General Fund. I am presenting to you *"A Review of: An Economic Case for increased Competition in the Sale of Beer, Wine and Spirits in the state of Kansas by the Coalition for Jobs and Consumer Choice,"* by Dr. David Burress, Ph.D., an economist who has studied the Kansas economy for decades, is President of the Ad Astra Institute and for more than 20 years was a researcher at the Institute for Public Policy and Business Research at the University of Kansas. *(Appendix A)*

Dr. Burress concludes claims in the study were formed using insufficient data, fail to include all economic factors and does not consider the overall economic impact SB 54 will have on rural Kansas communities.

**The idea that SB 54 creates jobs and increases wages makes no economic sense.**

First, there is no guarantee grocery and convenience store owners will build more stores if they can sell alcohol. They say so on their own website. In the Coalition for Jobs and Consumer Choice document *"Modernizing Kansas State Laws on the Sale of Beer, Wine and Spirits: Myth vs. Fact"* they write: "It's unlikely that chains will move to a particular rural area due to the ability to sell alcohol alone." Selling alcohol is not a factor these companies use to decide to build stores.

In researching public documents available from many of these companies – Annual Reports, SEC filings and other public filings – there is no mention of the necessity to sell alcohol in order to expand. Alcohol is NOT a deciding factor in a construction decision. Instead, factors include population density, tax base, tax incentives, population income, other stores in an area, etc. If these companies are not telling stockholders and employees alcohol is a deciding factor in construction, it is disingenuous for them to make such claims to Kansans.

Passage of SB 54 does not guarantee construction of new stores which, in turn, means no guarantee of thousands of new jobs for Kansas.

Second, you do not make money by adding a product, then hiring dozens of employees. You make money by adding a new product and then hiring **AS FEW** people as possible. In economics, everything is proportional. Adding a product and hiring dozens of employees is counterproductive to adding that product. New income and expenses rise proportionally. This is especially true with beer and wine - low-margin products that must be sold in high volumes to have a cost benefit.

There are only two ways to keep expenses low and maximize profits when adding a new product line: either hire very few new employees or fire employees. Dr. Art Hall is correct when he says out-of-state grocery stores are efficient because they understand this economic model. Grocery and convenience stores are unlikely to add dozens of employees per location if they add alcohol. That action does not make economic sense and is in direct contradiction to the business model they operate under today. The addition of alcohol will not completely change the business practices and operational models of out-of-state entities and suddenly find them hiring thousands of new employees.

**SB 54 does not guarantee new revenue for Kansas. It will actually cost the General Fund.**

First, the fiscal note states SB 54 will cost Kansas millions of dollars. The state sales tax revenue shift from Cereal Malt Beverage beer will cost the state $750,000 in 2012 and 2013. A one-time expense of $213,706 is needed for set-up expenses. It is estimated a yearly expense of at least $1,391,358 is necessary for new positions and other costs.



Sn Fed & State
Attachment 9
2-16-11

Second, when analyzing grocery store economic models, one factor is consistent: people only buy more when they are making more money. For grocery store sales to increase significantly, a population's income must increase proportionally. If incomes does not increase, neither do sales. The economic model you have seen which promises this legislation will generate more revenue assumes Kansans' income will increase by one-third upon passage of this legislation. This is not a sound model, as traditionally economists maintain that kind of increase can take a decade. There is no promise of an increase of purchases – grocery or alcohol – upon passage of this legislation.

Third, SB 54 brings with it social economic costs that will burden the General Fund. States with "all-access" systems have increased problems related to those systems. This includes increases in alcoholism, drunk driving, sales to minors and violence. These problems cost the state money. (*More information on these problems can be found at http://www.keepkansasjobs.com/increased_access).* SB 54 will require additional funding for: police, DUI and alcoholism treatment programs, Enforcement Agents to patrol thousands of new licenses and additional funding for programs targeted at reducing underage drinking. These problems burden a state economy and their costs have to be considered.

**Selling alcohol is not the solution to the rural grocer's problem. In fact, this legislation strengthens those trying to put them out of business.**

There is no study or research – nationally or in Kansas – that concludes the solution to solving the rural grocers problem is selling alcohol. Independent rural grocers already have the ability to own their own liquor stores.

A survey conducted by Kansas State University and the Kansas Sampler Foundation found 40% of rural grocers said the biggest threat to their business is out-of-state grocers and big-box stores.

David E. Procter, Director of the Center For Engagement and Community Development at Kansas State University, wrote in his 2010 article *"The Rural Grocery Crisis":* "The most frequent, significant challenge identified by our rural grocers was competition with big-box grocery stores. In the past twenty years, we have seen a tremendous rise in the number of big-box, national-chain markets. In addition, big-box wholesalers have moved into the grocery business, and now many offer large food sections as part of their stores. Rural store owners view these stores as competition that threatens their very survival." (*Appendix B*)

In a 2010 report on the factors leading to why rural grocery stores are closing, Jon Bailey of the Center for Rural Affairs, concluded: "The advent of corporate, chain grocery store facilities in nearby larger cities and the relative ease in driving due to advances in vehicles and highways often make shopping at larger grocery stores more attractive, further reducing the customer base and the economic margins for small, local stores."

In Iowa, a state used by supporters of SB 54 as a model similar to Kansas, 43% of grocery stores in communities with less than 1,000 populations have closed. A leading factor, according to Mr. Procter: big box, out-of-state grocers. No study concludes that selling alcoholic beverages will keep rural Kansas stores open. But study after study concludes the biggest threat to rural, Kansan-owned businesses is out-of-state grocers.

**Convenience vs. Consequences**

Supporters of Senate Bill 54 site convenience as a primary factor in passing SB 54. But weigh convenience vs. the consequences of passing this legislation. Adam Smith, founder of modern economics, has 10 principles still used by economists. Two of those principles are applicable to this discussion.

The first is "in analyzing economic models, people face tradeoffs." The tradeoff for Kansans is we have decided to support our neighbors over the Board of Directors of out-of-state entities. We have decided to support a system which keeps more dollars in Kansas and strengthens our communities, over a system which will close hundreds of businesses, cause thousands to lose their jobs and lose millions for the Kansas economy. Those consequences outweigh convenience.

The second principle is "the cost of something is what you give up for it." A system of convenience is not defined as "anything goes." When you radically change an economic model – which is being proposed here – you have a responsibility to examine all costs associated with changes to the current model.

SB 54 sacrifices a regulated, efficient economic model for one that brings increased social costs – economic and moral – along with unnecessary negative economic costs. Benefits of the current system outweigh the negatives that will spring forth under the proposed model. Do not embrace a system because it is convenient, knowing the consequences of that model include allowing 18-year-old high school students to sell Mad Dog 20/20 - unsupervised - in an adult gift shop, and all the problems associated with that action.

**<u>Senate Bill 54 does not solve the Kansas Budget Problem</u>**

For a more comprehensive explanation of how passage of this legislation does not help the legislature with its budget problem, see "*4. Misleading Use of Multiplier and Revenue Estimates"* on Page 4 of Appendix A *(Dr. David Burress' Review of An Economic Case for Increased Competition in the Sale of Beer, Wine, and Spirits in the State of Kansas)*

**<u>Most Kansans who purchase alcohol in Missouri are not doing so for convenience, and gas stations are not building on the Missouri side because of current retail liquor laws. SB 54 could actually make more Kansans shop in Missouri.</u>**

First, alcohol in Missouri is cheaper than Kansas because various tax rates make it more appealing to purchase alcohol across the border. Passage of SB 54 does not solve this problem. Missouri's state sales tax rate on alcohol is nearly half what it is in Kansas. Missouri's rate is 4.225% compared to Kansas' 8% *(Missouri does have more local taxing authority which causes their number to be higher than 4.225% in some areas).*

<u>Beer</u>

Missouri has the fifth lowest tax rate on beer in the United States, per gallon. Kansas ranks #23. Kansas' tax on beer is **3 TIMES** what it is in Missouri. Missouri's rate is .06 cents per gallon; Kansas' rate is .18 cents per gallon.

<u>Spirits</u>

Missouri has the third lowest tax on spirits, per gallon, in the United States. Missouri's rate is $2 per gallon; Kansas' rate is $2.50 per gallon.

Second, building a gas station on the Missouri side is better for business because Missouri has a lower state tax rate on gasoline (*www.gasbuddy.com*). Missouri's state tax is 17 cents on gasoline and diesel fuel. In Kansas, the rate is 24 cents on gasoline and 26 cents on diesel fuel. Factoring in federal and other possible taxes, the average amount a Kansan pays in taxes on a gallon of gas is 43.4 cent. In Missouri, the average is 35.7 cents. *(http://www.missourigasprices.com/USA_Tax_Map.aspx)*

Building on the Missouri side allows a company to charge less per gallon, which is attractive to consumers. For example, if a gallon of gas sells for $3.06 in Kansas, the Missouri price is $2.99. This lures Kansans to buy gas in Missouri, which in turn encourages them to shop in Missouri grocery and convenience stores. This is a primary factor in deciding which side of the border to build on, NOT the availability of alcohol.

SB 54 does not solve these problems, and suggestions SB 54 will keep Kansans shopping at home ignores the real reasons Kansans shop across the border.

Three, passage of this legislation burdens wholesalers with increased costs. Increased costs include thousands of more stops, hundreds of new routes, higher gas expenses, increased overhead, etc. These costs will be passed to consumers in the forms of higher prices and delivery fees. Alcohol prices will increase.

Since SB 54 does not address pricing gaps between Kansas and Missouri, but guarantees prices will increase, Kansans will continue to shop in Missouri and more of them may cross the border.

**Senate Bill 54 creates a large, costly, inefficient system.**
First, this bill creates a system in which anyone can sell beer, wine and spirits – pawn shops, gun shops, adult sex shops, smoke shops, department stores, etc. The current system is efficient, maximizes tax collection and allows the Department of Revenue to effectively monitor alcohol sales. SB 54 creates a system which steals dollars from Kansas and creates a massive regulatory system required to monitor thousands of outlets.

Second, more than 6,600 people in Kansas depend on the production, distribution and sale of wine, beer and spirits for their livelihood. These are real people, with real jobs, ranging from vintner's to importers, to truck drivers to wait staff in bars and restaurants throughout the state. This is equal to nearly 0.50% of the state's working population. SB 54 not only puts in jeopardy many of these jobs stores, but could close bars and restaurants in Kansas' 19 dry counties. SB 54 does not outlaw 3.2 Beer, but creates a system which will lead to its elimination by producers. Without 3.2 Beer, on-premise establishments in the 19 dry counties will be forced to close – and the economic impact on these primarily rural counties will be devastating.

**Kansas is not comparable to other states.**
Every state has liquor laws tailored to fit its values, population and economic models. Comparisons to other states are not valid. Most of the states used as examples of where so-called de-regulation was successful were primarily "Control States" before they privatized their systems. Control States are those in which the state itself owns, operates and sells alcoholic liquor. Those states went from systems in which alcoholic product was controlled by state government then turned over to private industry to take control of the alcoholic-liquor business.

Of course this had a short-term economic impact! Private industry will always be an improvement over state-run retail stores. Private industry will spend more, promote more and invest more than state government. Those systems had no-where to go but up. Kansas has never been a control state and has always had a privatized industry. Basing an economic model for Kansas on systems that will never compare to the Kansas model is a comparison of apples vs. oranges.

**Keeping current law is not protectionism – it's good business and responsible governing.**
A legislature should look out for its citizens - including local, small business owners. Allowing out-of-state companies to unnecessarily put Kansans out of business does not benefit Kansans or the economy. The legislature should ensure that hundreds of small businesses remain in business, thousands of Kansans keep their jobs and millions of dollars stay in Kansas.

It is an important message for a legislature reaffirm that it supports the current system - a system which is 100% operated by Kansans who are the lifeblood of our Kansas communities.

**Respectfully Submitted,**

**Spencer L. Duncan, M.B.A.**

**A Review of:**

An Economic Case for Increased Competition
in the Sale of Beer, Wine and Spirits in the State of Kansas
by the Coalition for Jobs and Consumer Choice


***Reviewed by***

David Burress, Ph.D.
President
Ad Astra Institute of Kansas

February 5, 2011

## Executive Summary

♦ The attached Review explains in Section 1 why the Study's methodologies cannot be expected to arrive at credible estimates. Section 2 describes a major error in the Study's analysis of the productivity effect. Section 3 describes the unlikely nature of the Study's estimates of construction effects. Section 4 describes a problem in the Study's analysis of multiplier effects. Section 5 lists several other methodological errors, questionable assumptions, and overstated arguments, without giving a full analysis.

♦ If there are significant productivity benefits to be had in retailing, they are almost surely orders of magnitude smaller than what the Study has estimated.

♦ The rather prodigious amounts of construction benefits depend entirely on the model discredited in Section 2, and hence are not to be believed.

♦ The IMPLAN model utilized by the Study makes a default assumption that changes in the government's revenues are exactly matched by changes in its expenditures, so that increases in economic activity have no net impact on the budget. In that case these changes would not help address the Kansas budget problem.

♦ The Study focuses on the benefits of regulatory change and ignores most of the costs.

♦ The Study suggests that relaxed regulations could slow down or reverse the historic trend of retailing to abandon sparsely developed rural areas in favor of more centralized retailing in areas with denser development. Actually, standard theory suggests that the opposite is much more likely, i.e. that rural abandonment will be speeded up. In particular, rural abandonment is driven, among other factors, by improved transportation combined with the rise of larger and larger retailing units run by chain—i.e. supermarkets and Wal-Marts—plus the rise of high-volume convenience stores, also run by chains. ... Deregulation will achieve productivity gains only to the extent that it adds to these forces. Hence deregulation is likely to speed up the centralization of retailing away from small, scattered, rural sole proprietorships and towards centralized chains.

♦ The Study fails to consider the potentially negative impacts on the state economy of shifts from locally owned enterprises to national chains.

**David Burress**

David Burress has an M.A. in Physics and a Ph.D. in economics from the University of Wisconsin-Madison. He worked for 20 years as a research economist in the Institute for Public Policy and Business Research at the University of Kansas. Much of his research focused on the Kansas economy using input-output modeling, regional impact analysis, business location theory, and state and local taxation theory, generally in cooperation with KTEC or Kansas, Inc. He also studied the Kansas and national impacts of technology development. He has testified to committees of the Kansas legislature on tax policy, retail wheeling of electricity, economic development, and other topics. He served on Governor Joan Finney's blue ribbon tax reform committee. Burress also served as a Lawrence-Douglas County planning commissioner for six years, where he benefitted from a close-up view of economic development. After retiring from KU he helped found Ad Astra Institute.

# A Review of:
## *An Economic Case for Increased Competition in the Sale of Beer, Wine and Spirits in the State of Kansas*
## by the
## Coalition for Jobs and Consumer Choice

**Reviewed by**
**David Burress, Ph.D.**
**President**
**Ad Astra Institute of Kansas**

**February 5, 2011**

## 1. Introduction

Coalition for Jobs and Consumer Choice's (2011) report addresses "Kansas' legal restrictions that prevent grocery and convenience stores from selling full-strength beer, wine and spirits." The report seeks to make two contributions to the policy analysis of those restrictions:

- An informal summary of the theoretical economic benefits that could accrue to Kansans from eliminating those restrictions, and
- Empirical estimates of the dollar value of some but not all of those benefits.

Theoretical analysis. The report focuses on three retailing sectors:

- Liquor stores
- Grocery stores
- Convenience stores.

While (as discussed below) the theoretical analysis is in some respects not entirely clear, the main potential benefits to Kansas claimed by the report appear to include:

- Increased efficiency of retailing operations achieved by utilizing economies of scope and scale within grocery stores and convenience stores, leading in turn to
  - higher productivity per worker in those stores, leading to
  - higher wages per worker.
- Relocations of some convenience and grocery stores in Missouri near the Kansas border into Kansas so as to be nearer to markets, as a result of the new opportunity to sell liquor.
- Increased convenience for customers.
- Increased numbers of stores in rural areas of Kansas.
- New construction resulting from relocations and expanded operations.
- Indirect (i.e. multiplier) benefits resulting from direct effects listed above.

In addition, as noted below the report implicitly assumes that total employment in the three retail sectors will increase in non-border regions (as well as in border regions), but this assumption is not explicitly stated and no theoretical mechanism is suggested to explain it.

The report identifies sales, jobs, wages, and tax revenues lost in existing liquor stores as potential costs of eliminating the restrictions. As discussed below, the report does not attempt to provide a more complete inventory of economic costs—hence it is a partial benefit study rather than a true impact analysis.

Empirical analysis. The report attempts to provide numerical estimates for three effects along four economic dimensions for the three sectors. The economic effects are:

- the direct effects of improved productivity on operations of grocery and convenience stores;
- the direct effects of new construction and renovation in grocery and convenience store; and.
- the indirect or multiplier effects resulting from the these two direct effects.

The economic dimensions under study are:

- jobs
- wages
- state taxes
- local taxes.

The report arrives at some truly astonishing findings. Productivity effects alone (together with associated multiplier effects) are estimated to cause increases in Kansas state-wide aggregates for the combined liquor, grocery, and convenience store sectors as follows:

- jobs: + 32.6%
- wages: + 34.2%
- state taxes + 34.2%
- local taxes + 34.2%.

(Source: my calculations using data from Tables 1 and 4.) To put these numbers in perspective, consider that these retailing sectors are known to be driven by state income and consumption in a basically proportionate manner—that is, to double grocery store sales, you would normally need to at least double state income. The report's estimates imply that eliminating the relatively minor restrictions on sales would have the about the same impact on these three sectors as increasing real state income by one-third—an undertaking that would normally take a decade or longer. This finding is implausible on its face. As shown below, it is also inconsistent with the report's productivity story.

In the following sections I will explain why the methodologies used in the report cannot be expected to arrive at credible estimates. Section 2 describes a major error in the analysis of the productivity effect. Section 3 describes the unlikely nature of the estimates of construction effects. Section 4 describes a problem in the analysis of multiplier effects. Section 5 lists several other methodological errors, questionable assumptions, and overstated arguments, without giving a full analysis. Section 6 makes concluding remarks.

## 2. The mismeasurement of productivity

The productivity model. The productivity model in the report proceeds as follows. State-level data were gathered for each of the three sectors on:

- stores per capita
- average employees per store
- average employee wages as a share of state average wages.

The data are for Kansas and for five selected comparison states that do not restrict liquor sales. (Data were also gathered on four other states that do restrict liquor sales, but these data are not used in the impact analysis.)

The report then apparently makes the following assumptions. When restrictions on liquor sales are removed :

1. Total sales of liquor and of groceries are assumed unchanged (e.g. because "Research suggests that cultural factors more than economic factors drive alcohol consumption.")

2. Numbers of stores per capita in each Kansas sector change to match the average level of the five comparison states.

3. Numbers of employee per store in each Kansas sector change to match the average level of the five comparison states.

4. Average wages as a share of state average each Kansas sector increase to match the average levels of the five comparison states.

5. State and local tax revenues increase in proportion to total wages.

The calculation of increases in employment, wages, and tax revenues is then straight-forward.

Misinterpretation of the data. The report claims that these increases represent productivity improvements. That claim is mistaken, as can easily be shown.

Productivity is defined as output per worker. There are only two ways to increase productivity–either:

a. produce more output while holding workers constant, or

b. produce the same output while reducing the numbers of workers.

In the present case, output consists in sales of liquor and groceries. These are held constant by Assumption 1, above. Therefore productivity increases can show up *only* as a *reduction* in employment.

But according to the model, total employment *increases* by +31.6% (direct effect) and +32.6% (total effect). Indeed, it is this increase in employment that largely drives all of the positive results claimed in the report.

The report's raw data do in fact show higher retailing employment per capita in deregulated states than in Kansas. In a simplistic model this would normally be interpreted as showing that deregulated states are *less* productive than Kansas. However, it is more reasonable to assume that something else entirely is going on. For example, grocery stores in deregulated states may be providing higher levels of consumer service than is customary in Kansas. Discovering what is really going would require a small research project, but in any case increased productivity cannot possibly be the explanation.

<u>A fundamental complexity in the productivity story</u>. I agree with the report's point that it is important to encourage productivity improvements, as one among several economic development strategies. However the productivity issue is much more convoluted and problematic than the report lets on. Unfortunately, the usual first-round impacts of productivity improvements are likely to include layoffs and reductions in aggregate wages—outcomes that are actually counter-productive for economic development goals. The benefits of higher productivity come later, and in some cases may not even come at all (e.g. if benefits were exported to owners or customers out of state). Understanding how all this could benefit Kansas would require a much more subtle model than the report has proposed.

Also, productivity improvements are normally much more important in sectors that sell outside the state ("export base sectors") than in domestic sectors like retailing. If there are significant productivity benefits to be had in retailing, they are almost surely orders of magnitude smaller than what the report has estimated.

**3. Illusory construction benefits**

The report estimates construction impacts in the state of Kansas by multiplying an estimate of the cost of one new store by the number of new stores estimated using the methodology described in Section 2 above. After including both direct and multiplier effects, the report estimates these additions to the state economy:

+ 39,523 job-years
+ $1.691B in non-recurring wages.

(Source: my calculation from data Table 10. The report labels the first item as "jobs" rather than "job-years," but insofar as they are limited-term construction jobs they must surely mean job-years. The term "jobs" refers to jobs expected to continue more or less indefinitely into the future.)

These rather prodigious amounts depend entirely on the model discredited in Section 2, and hence are not to be believed.

**4. Misleading use of revenue and multiplier estimates**

The report presents its tax revenue estimates in a misleading way. In competent policy analysis, tax revenue estimates are usually presented in one of two ways:

> a. In the case of a newly defined tax base or an increased tax rate, the revenue estimate represents net additions to the budget that will tend to reduce revenue shortfalls or generate a surplus.
>
> b. In the case of a change in underlying economic conditions, two separate budget effects must be estimated:

- the change in tax revenues, and
- the change in government expenditures needed to service the changed economic conditions.

> The net fiscal impact is the *difference* of the two amounts. Net fiscal impact, not gross revenue impact, equals the new money available to address revenue shortfalls.

In the particular case this report, we are dealing with the second kind of situation, yet the report provides the first kind of estimate. Moreover, the report leaves the distinct impression that the changes under consideration about would help deal with the current Kansas budget crisis:

> ... the state of Kansas faces a budget shortfall of an estimated $550 million in fiscal year 2011.
>
> The appropriate policy response to the economic situation is to remove impediments to the overall competitiveness and productivity within the Kansas economy.

As it happens, however, the IMPLAN model utilized in the report makes a default assumption that changes in the government's revenues are exactly matched by changed in its expenditures, so that increases in economic activity have no net impact on the budget. In that case these changes could not possibly help address the Kansas budget problem.

In other words, according to the model any new jobs and wages generated by removing the liquor restrictions would bring with them equal new demands on government for services. One possible mechanism is that new jobs would be filled either by inmigrants, or by existing unemployed residents who otherwise would have exmigrated. In either case the net result is more families in the state making more demands on government.

While other modeling approaches are possible, the report does not address them. In any case, the model should, but does not, show some degree of reduction in benefits due increasing expenditure burdens on government.

## 5. Other issues

The report has several other problematical features.

Poorly sourced data. I was unable to check the paper's calculations because it was too hard to track down its original data sources.

Possibly biased sample of states. For unexplained reasons, the report omitted some states that are relatively close to Kansas (Arkansas, New Mexico, Texas) in favor of some that are further away (North Dakota, Minnesota, Indiana). Because the data were not available, I was unable to test whether this led to a bias in the sample.

Incomplete analysis of costs. As noted, the report focused on the benefits of regulatory change and ignored most of the costs. I have already mentioned the ignored costs of government services, and the problem of short-term job losses when productivity improves. For discussion of several other omitted costs see Duncan (2011).

The false assumption that productivity gains always cause firm-level wage gains. The report justifies its Assumptions 2, 3, and 4 based on a vague chain of arguments I was not able to follow (and which in any case, as shown above, was surely wrong). However part of that argument was not at all vague. In particular, the report makes a case for believing the following assumption:

6. Increases in productivity at the firm level show up as proportional increases in wages.

This claim is both interesting and wrong. What is interesting about it is that it is true *at the aggregate or macro level.*[1] Indeed the report provides some (unsourced) data showing it is true in aggregate for Kansas. However it is *not* necessarily true at the micro or firm level. Instead, the benefits of changes in productivity are allocated between workers, owners, suppliers, and consumers depending on market conditions. For example, a monopsony (i.e. a monopoly employer, such as a large employer in a small isolated town) can if it so chooses pass on *none* of the gains from productivity improvements to employees—and indeed it may even respond to

[1] See e.g. Stein (1995). Even at the macro level there is considerably less substance to this claim than meets the eye—it is logically equivalent to the well-known regularity that the aggregate labor share of income is roughly constant over time for a given economy. The equivalence follows from GDP accounting, because productivity is net output per worker, while average wage is the labor share of output per worker.

It is simply not the case that labor share of output is constant over time at the sector or firm level—partly because output does not equal income at the sector or firm level (the difference consists in intermediate products that are netted out at the GDP level).

productivity improvements by laying off workers and cutting wages.

One-sided theoretical analysis of border relocation. The report suggests that relaxed regulations could lead some retailers to relocate into Kansas. It fails to mention important reasons why any relocations are likely to be too few and too slow to have noticeable budgetary impacts during the present fiscal emergency. For example:

- Locations of convenience stores near the border are mainly influenced by state taxes on gasoline, which are lower on the Missouri side.
- In the case of both convenience stores and grocery stores, relocations into Kansas will be impeded by the higher liquor taxes on the Kansas side of the border.
- Location decisions tend to be subject to "hysteresis," which means that business types tend to stay in place due to interference from existing developmental patterns. For example, it would be very hard to put a new store in a developed residential area. Since nearly the entire border area of Greater Kansas City is already highly developed (or else borders the Missouri River), short distance relocations are likely to be substantially inhibited.

Misleading theoretical analysis of relocation in rural areas. The report suggests that relaxed regulations could slow down or reverse the historic trend of retailing to abandon sparsely developed rural areas in favor of more centralized locations in areas with denser development. Actually, standard theory suggests that the opposite is much more likely, i.e. that rural abandonment will be speeded up.

In particular, rural abandonment is driven, among other factors, by improved transportation combined with the rise of larger and larger retailing units run by chain—i.e. supermarkets and Wal-Marts—plus the rise of high-volume convenience stores, also run by chains. What gives these larger operations an economic advantage are factors such as economies of scale, economies of scope, concentrated purchasing power, and one-stop shopping convenience. Deregulation will achieve productivity gains only to the extent that it adds to these forces. Hence deregulation is likely to speed up the centralization of retailing away from small, scattered, rural sole proprietorships and towards centralized chains.

## 6. Conclusions

The report's theoretical discussion of the benefits of deregulation has some value as a provocation, but it is very far from providing a tight or complete theoretical analysis. It is also unfortunate that it fails to address the cost side of deregulation. Among other factors, the report fails to consider the potentially negative impacts on the state economy of shifts from locally-owned enterprises to national chains.

The report also fails to point out that the short-run impacts of productivity gains are more likely to include job losses than job gains. While long-term productivity gains in export-base sectors are very important to future Kansas growth, short-term productivity gains in retailing sectors cannot possibly help address our immediate state budget problems.

The report does pull together some interesting and suggestive data, not all of which I have addressed here. However I have addressed every attempt te report makes to lead from that data to concrete estimates of the impacts of deregulation. In my opinion none of those estimates have any degree of validity.

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**Ad Astra Institute of Kansas**

Ad Astra Institute is a 501(c)(3) non-profit think tank dedicated to the analysis of Kansas state policy and politics from the point of view of the pragmatic interests of ordinary citizens. It was founded in 2005 and is located in Lawrence, Kansas.

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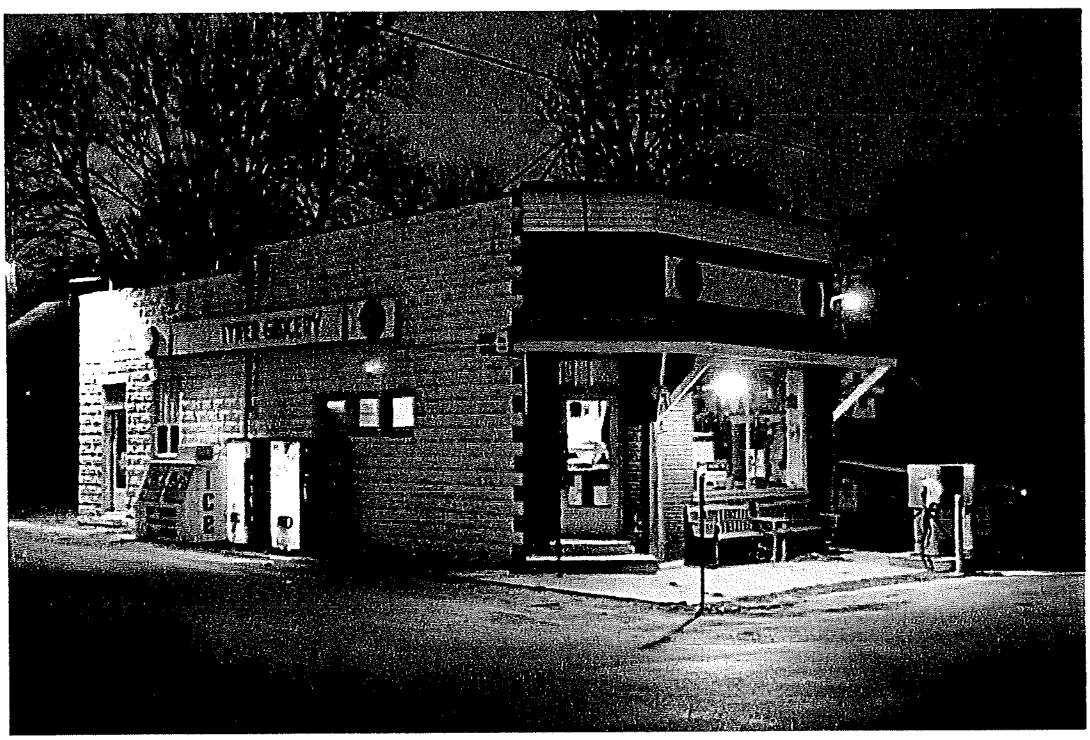
# The Rural Grocery Crisis

**Image:**

- Tynergrocery.jpg [1]
- HandyAndy.jpg [2]
- grocerchallenges528.jpg [3]
- fooddesertmap528.jpg [4]

Rural groceries are in trouble, pressured by high utility costs, competition from big box chains and customers who drive off to find bargains instead of buying at home.



Kay Westhues [5] The Tyner Grocery in Tyner, Indiana. Rural groceries are important civic and commercial institutions. They are also disappearing from rural communities.

*"We are one of your statistics, I'm afraid. We are losing our grocery store in Protection. The owner has an illness and she must sell or go out of business. It will be a sad situation for an already depressed town."*

This email, from an economic development director in Southwest Kansas, is one of many we've received at Kansas State University. Similar emails, letters, and phone calls are coming into non-profits, local governments, universities, and economic development offices, and all are making the same point.

Rural America's grocery stores are facing a crisis. These businesses are closing at an alarming rate. Almost daily another small-town, independently-owned store shuts its doors and closes up shop.

In Iowa, for example, 43% of grocery stores in towns with populations less than 1,000 have closed, while in Kansas, nearly one in five rural grocery stores has gone out of business since 2006. These disappearing businesses are creating a crisis, as rural grocery stores represent a critical piece of the infrastructure that sustains rural America.

Rural grocery stores are part of the economic engine that sustains rural communities. They are a significant source of local taxes, powering the creation and maintenance of civic services and amenities. They provide essential, stable jobs – butchers, cashiers, managers, and stockers – at a time when we are desperate for employment opportunities.

Roadsidepicture [6] A Handy Andy store in Florida during the 1930s.

Dollars spent at a local, independently-owned grocery store cycle through the local economy more than do dollars spent in national chain stores at the edge of town, and certainly more so than when those dollars are spent at an out-of-town big-box market.

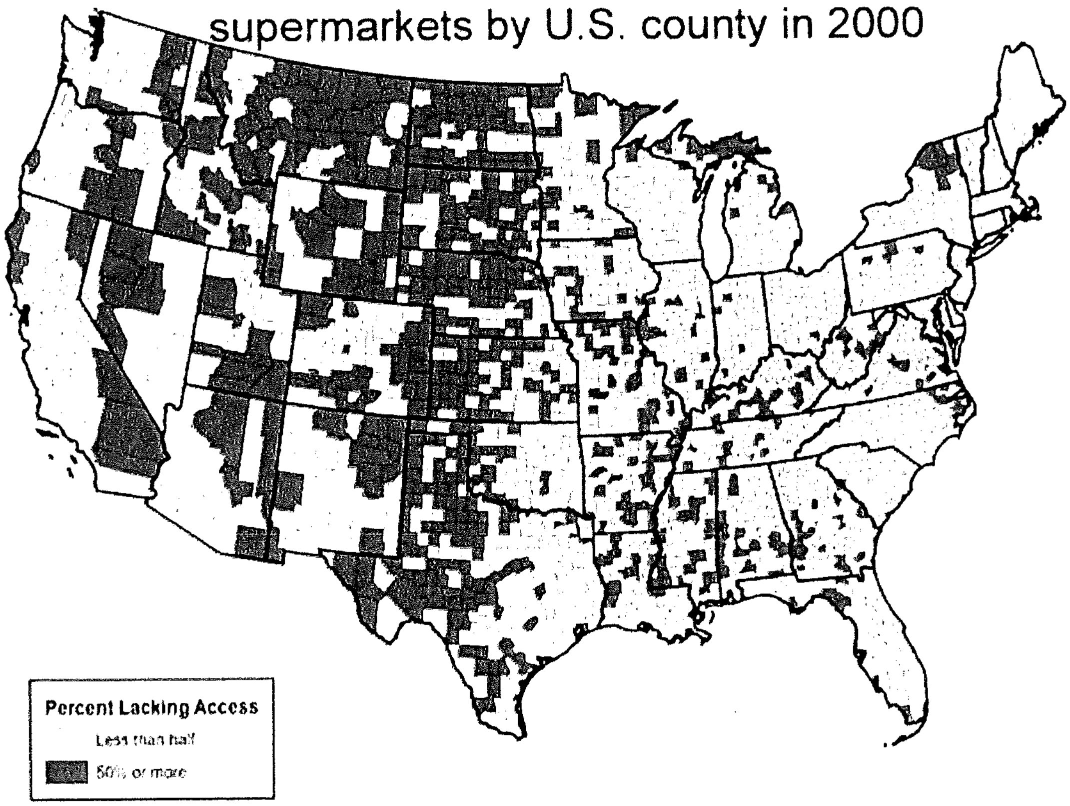
Rural grocery stores are also a vital source for nutrition and health, providing a supply of fresh fruits, vegetables, dairy and protein. Where no grocery store exists, rural citizens are living in a "food desert." Citizens in these food-deprived areas struggle simply to find healthy and nutritious food for their families and themselves.

From initial investigations out of our office at the Center for Engagement and Community Development at Kansas State University, it has become clear that many parts of rural America are facing a crisis of access to healthy foods. Research indicates that millions of rural Americans live in food deserts.

A majority of the land area In several states of the Midwest and Mountain West could be described as food desert. "Severe" food desert counties – area where citizens have to drive more than 10 miles to a grocery store – are still apparent in the western portions of the Great Plains states. Approximately 40% of Kansas counties are "severe food desert" counties, and a significant portion of the population in half of Oklahoma's 77 counties live in severe food deserts. The following map displays the food deserts throughout the U.S. and illustrates the severity of this problem in the central plains.

# Food Deserts

Counties lacking convenient access to supermarkets by U.S. county in 2000



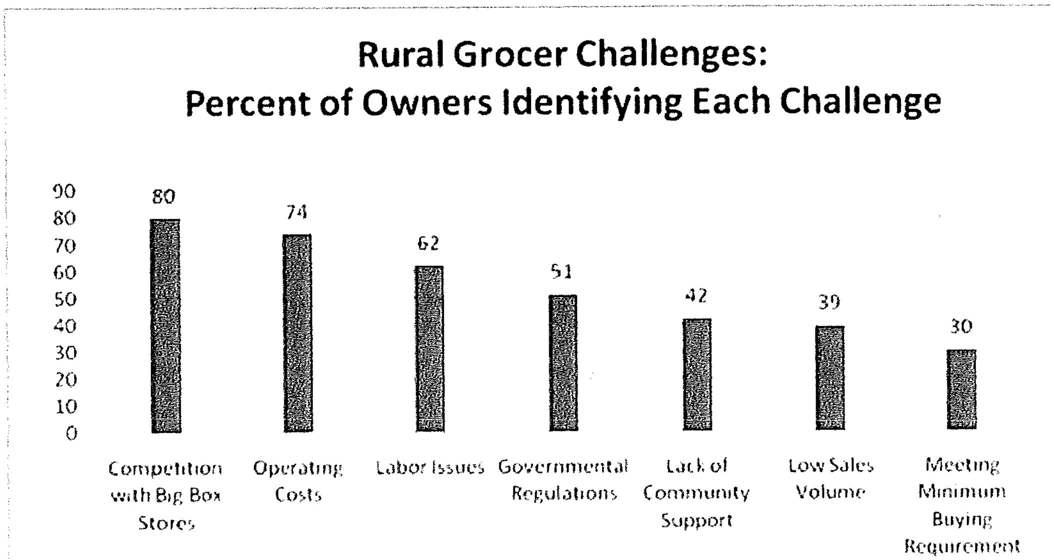

Grocery stores are also important vehicles for community development. They serve as gathering places, where folks see one another, talk about the latest issues affecting their towns, and dream together about what their communities could be. Just like our local schools, cafes, and post offices, rural grocery stores are important community assets, providing tangible evidence of local strength and stability.

So, the question is, why are these rural stores closing? Certainly, there are difficult economic and demographic trends that hurt rural grocery stores' chances to remain profitable These include rural population decline, increased competition from larger chain stores, new shopping patterns, and changing food distribution models.

But we wanted to understand the crisis from the perspective of the rural grocery store owner and work to address those challenges. To understand the significant challenges rural grocery stores face, Kansas State mailed a survey to all rural grocery stores in Kansas communities with populations of 2,500 or less. Eighty-six of the 213 grocery stores responded. (You can see the full survey and complete results here [7].)

Kansas State University and the Kansas Sampler Foundation – a Kansas non-profit dedicated to preserving rural Kansas – hosted a rural grocery summit in 2008 and asked the 70 storeowners attending to describe their most significant challenges. Finally, we conducted in-depth interviews with five rural grocery store owners and again asked them about the issues that challenged them the most.

From all of this, we identified the "Big Seven Challenges" facing rural grocery store owners. These challenges and the percentage of store owners identifying them as significant are illustrated in the graph below.




*The most frequent, significant challenge identified by our rural grocers was competition with big box grocery stores.

In the past twenty years, we have seen a tremendous rise in the number of big-box, national-chain markets. In addition, big-box wholesalers have moved into the grocery business, and now many offer large food sections as part of their stores. Rural store owners view these stores as competition that threatens their very survival.

*We also heard about the challenges of building maintenance, insurance, and shipping costs in the grocery business. The most significant operating expense is utilities, particularly energy. The costs of heating and cooling any store are significant.

By far, though, the operating cost of refrigeration is the greatest challenge. Many store owners struggle with outdated and inefficient coolers. A broken cooler could ruin a significant percentage of a grocery's inventory.

*Many rural grocery stores struggle to find an adequate supply of reliable workers. Besides the challenge of finding "good help," in many small towns there is also the problem of finding any employees at all. In many rural communities, there is simply a lack of available folks to hire. This can be a real problem, because if the store owner and family are the only workers, they are likely to burn out or wear out.

*Rural grocers must abide by a variety of regulations, such as those governing alcohol sales, food handling, WIC and SNAP participation, proper labeling, workers' comp, and federal and state wage laws.

Some grocers feel these government regulations are overly intrusive, but for others the problem regulations pose is a matter of time and labor.

*Lack of community support is one of the most frustrating challenges faced by rural grocers. Grocers say that they are asked to support a variety of community projects – the local ball team, church youth groups, the 4-H Club. They are frustrated when they notice adult sponsors and parents of these community groups traveling to distant big box stores to do their grocery shopping.

*This challenge of low sales volume is related to several others, and of course poses a basic problem. Nearly all rural grocery stores – certainly those in Kansas – are required to purchase a minimum dollar-amount of food each week from wholesale distributors. For small stores and especially those struggling with low sales volumes, this is a significant challenge.

If stores cannot meet the minimum, food distributors simply won't deliver food to their stores; they will literally drive right past and onto a store in the next town where the minimum can be met.

*David E. Procter is director of the Center for Engagement and Community Development [8] at Kansas State University.*

Rural groceries are in trouble. They are pressured by high utility costs, competition from big box chains and by customers who drive to find bargains instead of buying at home

By David E. Procter Food Main Street Economics

**Source URL:** http://www.dailyyonder.com/rural-grocery-crisis/2010/08/17/2893

**Links:**
[1] http://www.dailyyonder.com/files/imagefield/Tynergrocery_0.jpg
[2] http://www.dailyyonder.com/files/imagefield/HandyAndy_0.jpg
[3] http://www.dailyyonder.com/files/imagefield/grocerchallenges528.jpg
[4] http://www.dailyyonder.com/files/imagefield/fooddesertmap528.jpg
[5] http://www.fourteenplacestoeat.com/archive/000836.html#000836
[6] http://www.flickr.com/photos/roadsidepictures/1563516205/in/set-72157617065317203/
[7] http://www.ruralgrocery.org/survey
[8] http://www.k-state.edu/cecd/

(10)

"A Public Health Perspective on the Deregulation of Alcohol Sales in Kansas"

Written summary of John B. Calbeck, M.D.

Garden City, Kansas 67846

to the

Kansas Senate Standing Committee on Federal and State Affairs

hearing on

Kansas Senate Bill No. 54

February 16, 2011

Sn Fed & State
Attatchment 10
2-16-11

Ladies and Gentlemen, it is an honor to address this committee. I thank you all for the opportunity to speak. I come to you as a lifelong Kansas resident who has dedicated his entire professional life to clinical medicine, public health and prevention. I was born and raised in Pratt, Kansas and have resided in Garden City, Kansas for the last 33 years. I received a Bachelor of Arts degree in Chemistry and a Doctorate in Medicine from the University of Kansas.

My purpose in coming before this committee is purely to add to its understanding of what research reveals about the relationship between alcohol sales deregulation and drinking behavior – including problem drinking. The move toward alcohol sales deregulation opens up the issue of enforcement and the potential for increased access to alcohol products by underage youth, and there is a large body of solid research and social observation to assist Kansas in making the best decision on Senate Bill 54. I will attempt to present some information that I feel will help you in your decisions regarding alcohol sales deregulation in Kansas.

**Summary of Testimony:**

1. **Risk Factors for Substance Abuse in Youth will be adversely affected:** Strong evidence suggests that the risk factors pertaining to drug availability, perception of risk and harm from alcohol use, youth alcohol use and binge drinking, and community laws and norms increase in environments in which alcohol, tobacco, and other drugs are more readily available. This affects both the incidence and prevalence of not only substance abuse, but the related problem behaviors of violence, delinquency, teen pregnancy, and school dropouts. www.ctcdata.org; http://psycnet.apa.org/?fa=main.doiLanding&fuseaction=showUIDAbstract&uid=1992-40647-001
   http://www.emcdda.europa.eu/attachements.cfm/att_93778_EN_Analysis%20Of%20Risk%20And%20Protective%20Factors.pdf

2. **Hours open for sale would likely increase**, thereby further increasing the all important risk factors pertaining to availability. This is not, in fact, observed with every case of deregulation, but it is noted in every case that I have reviewed in which grocery outlets are permitted to sell strong alcoholic beverages. *(attached document: PAM Issue Briefs download from)* http://www.healthyalcoholmarket.com/
   http://www.mbwda.com/wp-content/uploads/2010/07/Montana-Presentation.pdf

3. **Younger salespersons would be empowered to sell alcohol.** Research in other states has shown that this results in more sales to underage buyers.
   http://www.epi.umn.edu/alcohol/pubs/pubpdf/11_6_72.PDF
   http://www.epi.umn.edu/alcohol/pubs/pubpdf/11_6_83.PDF

4. **The startup costs and initial revenue losses to Kansas are steep** (estimated nearly $2,000,000) at a time when our State is deploying every dollar very carefully. *(attached document: KDOR impact statement, fiscal note of 2/3/2011)*

5. Regardless of any long term effects, **the number of retail outlets would likely increase**, and there is clear evidence that this would have profound effects on underage drinking and public health and well–being. A 5-year study in British Columbia showed an increase in alcohol related deaths of 3.25% for each 20% increase in outlet density,
https://www.marininstitute.org/site/images/stories/pdfs/outlet_density.pdf
http://onlinelibrary.wiley.com/doi/10.1111/j.1360-0443.2010.03331.x/abstract;jsessionid=D5BF9DE99AAB69A8168B2DE69FE3BC11.d01t04

6. Research in other states has suggested that **grocery stores and convenience stores sell to minors at increased rates** compared to liquor stores **and are not as diligent in training and educating salespersons.**
http://www.epi.umn.edu/alcohol/pubs/pubpdf/11_6_83.PDF
http://www.epi.umn.edu/alcohol/pubs/pubpdf/11_6_72.PDF

7. **Any trend toward privatization or deregulation of alcohol sales could have long term public health implications.** In the decade following privatization/deregulation of alcohol sales and distribution in the United Kingdom, the incidence of alcoholic liver disease (and the associated medical costs) more than doubled. The incidence of underage drinking in the United Kingdom is now twice that of the United States. *(attached document: PAM Issue Briefs download from)*
http://www.healthyalcoholmarket.com/
http://www.mbwda.com/wp-content/uploads/2010/07/Montana-Presentation.pdf

8. **International research suggests dire social consequences from alcohol sales deregulation.** A study performed by the Swedish Institute for Social Research at Stockholm University suggested that privatization/deregulation of the alcohol market would result in a consumption increase of 17% and that if alcohol was made available in grocery stores the increase would be 34%, resulting in an additional annual toll of 2000 deaths, 20,000 assaults, 6,600 drunk driving offences, and 11.1 million days of sick leave.
http://www.ncbi.nlm.nih.gov/pubmed/20809914

9. Though there is one impact study, *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*, that indicates the new statutes would benefit the Kansas economy, I worry that a significant portion of that benefit would accrue to corporate interests outside the state of Kansas. I have doubts that additional resources to address any increases in underage drinking, problem behaviors of youth, treatment of addiction, the complications of alcoholism, and public health concerns would be forthcoming from those sources. **I have the following concerns about this impact study**:
    a. The study does not contain references to the economic experiences of the numerous states that have deregulated or privatized alcohol sales
    b. It does not completely acknowledge the social and public consequences of alcohol deregulation

c. The beneficial economic effects from deregulation may not be apparent for years, if ever, and the immediate effect will be a significant administrative start up cost and significant short term loss of revenue in exchange for an uncertain benefit which may take years to evolve. I quote from the impact study itself: *"New construction will happen over many years, with unpredictable timing."*

http://www.jobsforkansas.com/wp-content/uploads/An-Economic-Case-for-Increased-Competition_web.pdf

10. I am fearful that the taxation protocol, when extended to the larger market, will cut deeply into the profit margin of sellers and cause them to **use high volume, low-price marketing strategies that would further increase the risk factors, especially for youth and young adults under 25.** This tendency in other states and countries that deregulate or privatize liquor sales has been well documented and results in increased consumption and increased public health expense. *(attached document: PAM Issue Briefs download from)*
    http://www.healthyalcoholmarket.com/
    http://www.mbwda.com/wp-content/uploads/2010/07/Montana-Presentation.pdf

**Final Thoughts:**

Based on state, national, and international experiences with alcohol sales privatization and deregulation, I believe that any expansion of alcohol sales should be accompanied by controls designed to protect public health and safety. The following strategies have shown effectiveness in providing this protection:

- limits on new outlets
- limits on days and hours of sale,
- no self-service
- trained clerks of 21 years of age
- policies on preventing underage sales and sales to intoxicated persons
- limits on sale of more dangerous products (distilled spirits, large malt beverage products that are the equivalent of 4-5 drinks in a can, fortified wine and other products that are favored by street drinkers)
- limits on the availability of new outlets that sell all products
- controls which discourage high volume, low-price marketing strategies, which research shows leads to increased usage by particularly high risk populations (youth and heavy drinkers)

I believe that Kansas should thoroughly study the long term implications, social as well as economic, of Senate Bill 54 before passing it. The social consequences as well as the economic impact of this legislation need to be more closely examined before Kansas proceeds any further on this legislation.

(11)

# Jefferson County Sheriff's Office

Jeffrey L. Herrig, Sheriff

1360 Walnut, Oskaloosa, KS 66066

Robert Chartier, Undersheriff

Administrative Phone (785) 863-2765

January 31, 2011

From: Sheriff Jeff Herrig

Re: Opposition to Senate Bill 54

The current language of Senate Bill 54 will have the effect of changing the 1800 plus off premise cereal malt beverage licensees that are currently licensed and regulated by the cities and counties of Kansas into wine and strong beer outlets immediately (2012) and many into full fledged liquor retailers by 2015 whose licensing and regulation will rest with the State.

Pursuant to current laws, a portion of the sales tax revenues from the sale of CMB return to the cities and counties. The county's general fund maintains a special alcohol and drug program fund which Jefferson County law enforcement currently utilizes to support our drug and alcohol enforcement programs. Those sales tax revenues are certain to be diminished. The bill anticipates sharing a portion of increased liquor enforcement taxes with cities and counties – that formula is based on population. Jefferson County does not have a large population, but we do see significant cereal malt beverage sales due to our proximity to Perry Lake and the state park. (Kansas state parks allow only cereal malt beverage consumption.) A population based formula is unlikely to fully compensate Jefferson County for the change in buying practices and the associated enforcement costs.

The funds allocated by Senate Bill 54 will be open to appropriation by the State. The ability of the State to appropriate these funds provides no guarantee that the City or County would receive these funds. This uncertainty would jeopardize the ability of our Department to continue to combat the alcohol and drug abuse in this county. We already see an alarming number of underage drinkers and I believe that this bill could possibly open up even more underage drinking with the consumption of stronger alcohol, with the sales being conducted by younger employees.

I respectfully urge the Federal and State Affairs Committee not to pass Senate Bill 54 out of committee.

Jeffrey L. Herrig

Jeffrey L. Herrig, Sheriff
Jefferson County Kansas

(12)

KANSAS BEER WHOLESALERS ASSN.


Rebecca Rice, General Counsel
Kansas Beer Wholesalers Assn.
PO Box 69
Lindsborg, KS 67456
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Sn Fed & State
Attatchment 12
2-16-11

Senate Committee on
Federal and State Affairs
Re: SB 54
February 16, 2011

Mr. Chairman and Members of the Committee:

My name is Rebecca Rice and I appear before you today on behalf of the Kansas Beer Wholesalers Association in opposition to SB 54.

We oppose SB 54 for many specific reasons and for the general reason that the proposed changes will not benefit Kansas or Kansans and will weaken the state's alcoholic liquor delivery and sales system. We have respect for the power of the product we distribute and we do not believe that removing most of retail restrictions maintains that respect.

There appears to be minor disagreement as to whether it has been 26 or 28 years since the last legislature – the Iowa legislature - chose to change the liquor laws to shift sales from retail liquor stores to grocery and convenient stores. During those 26 years, many states have resisted efforts to make similar changes. The resistance typically prevailed amidst the swirl of an intense, well-funded lobbying blitz; similar to the one currently being waged in Kansas.

A massive national campaign being waged against states that have the resisted previous efforts to shift sales from controlled and restricted retail liquor stores. Many states – not just Kansas - are fiercely defending their delivery system that has been successful in helping state governments protect the public's health, safety and welfare.

Two of our neighboring states have repeatedly turned back the same expensive campaign seeking the same thing: change the law to allow corporate retailer domination of liquor sales. And, domination of liquor sales is - in essence – control of the liquor industry.

Despite what you are being told - Kansas laws are not "outdated". We are not unique in how we regulate and control access and consumption of alcoholic liquor. If SB 54 is the definition of "up-to-date" laws, then most states' laws are "out-dated".

**False Illusions**

A nationally interconnected delivery and sales system has developed from the two models that each state utilized when developing their post-prohibition liquor distribution and sales system. The interconnection that developed created a market and a product that American consumers rely upon without trepidation.

The success of this unique interconnected system has created a false impression that masks the power that liquor can grant. Manufacturing, delivery, warehousing and otherwise handling and transporting liquor appear to the unknowing to have little risk.

It is a false illusion.

- Liquor is not a grocery item;
- Liquor should not be presented to the public as a grocery item;
- Hiring under-aged individuals perpetuates the myth that liquor is no different than bread and milk.

- Legislative encouragement to categorize liquor as a grocery item will fundamentally alter future Kansans perception of alcoholic liquor and further perpetuate the myth that liquor is no different than bread and milk.

**Other States Do Not Have This System.**

It is accurate that in several states most alcoholic liquor is sold through the corporate chain retail model. But only a few operate with the lack of restriction proposed by SB 54. Most of those states operate with a significant safety net over those sales because they are a "control" state and as such, the state has retained greater authority over the sale of alcohol significantly beyond the limited licensing authority established by SB 54. Of those states that allow grocery store sales but are not also control states, many have established other limitations such as limiting the number of off-premise licenses to allow greater oversight and regulation or granted extensive local government control.

To demonstrate, a list of states sorted into very basic categories is the first attachment to our testimony. The information to create the document was taken from several sources because we could not find a definitive source regarding these basic licensing categories. Therefore, I can not attest to its complete accuracy. I can, however, attest to its basic accuracy.

There are several additional categories into which the states should be further sorted to better highlight the many differences that have developed in each state. Such detail would further clarify that SB 54 will truly set Kansas apart not only in timing but in lax retail licensing requirements. Unfortunately, time and resources prevented providing that information today.

When reviewing this list, note that the large corporate retailers promoting SB 54 are headquartered in states that do not have the same liquor distribution/sales system that is being promoted in SB 54. I could find no evidence that any of the corporate proponents of SB 54 are attempting to change the laws in their headquarter state to remove restrictions and the "open" system created by SB 54.

- Krogers/Kwik Shop
  - Ohio: All alcohol less than 21% ABV is allowed to be sold in grocery/convenience stores. All alcohol above 21% ABV is sold in state-owned retail shops.
- Hy-Vee
  - Iowa: all alcohol can be sold in grocery/convenience stores but spirits are wholesaled exclusively by the state.
- Wal-Mart
  - Arkansas: All alcohol is sold in grocery/convenience stores but wine is limited to Arkansas manufactured wine.
- Walgreens:
  - Illinois: All alcohol is sold in any general merchandise store
- Quik Trip
  - Missouri: All alcohol is sold in any general merchandise store.
- Casey's
  - Oklahoma – 3.2% CMB is sold in grocery/convenience stores

Of those few states that allow full liquor off-premise sales in virtually any establishment with few or no restrictions - as SB 54 does - we should not assume that those states would choose that system today. Retail has developed in ways that were not anticipated in the 1930s and 1940s. When grocery stores were given the privilege and responsibility to sell alcoholic beverages in most of those states – Iowa being an exception - big box stores and dominant corporate retailers did not exist.

Consequently, as the big box stores became the dominate retail outlets for most consumer goods, no state has agreed to grant those dominate corporations the privilege and responsibility to sell alcoholic beverages. We presume and believe that legislators in those states recognize the significant, system-wide problems that are possible if all states allow these few dominant corporate retailers to control America's liquor sales.

Life is Not "Better" In Other States Because There Is Liquor In Grocery/Convenience Stores.

In reviewing Dr. Hall's analysis, it seemed odd that he appears to presume general public agreement that "bigger is better" and that locally-owned is not desirable for alcoholic liquor sales, at least. Therefore, it appears he either attributed no value to locally owned or possibly a negative value.

We don't agree with that presumption. We are locally-owned and many distributors are family-owned. We don't think replacing us with giant distributors from Iowa and Ohio would be "better" for Kansas just as we don't think that replacing locally-owned businesses with corporate retail stores headquartered in Arkansas, Ohio, Illinois and Iowa is presumptively "better".

We also do not necessarily agree with Dr. Hall's conclusion that significantly more convenience stores will make Kansas "better" nor that Kansas will be "better" if 120 additional grocery stores open due to 350 or 400 locally owned and operated liquor stores are closed to create the market space for the new stores. We especially reject the presumption when no information is provided as to the analysis of where these new businesses will be located and no information about whether, what type and how many existing businesses will have to fail for the marketplace to support the new stores.

Also of note is that not only was no value placed on businesses being locally-owned but, apparently, no value was placed on retailer profits remaining in Kansas. An "economic impact" report ought to at least acknowledge that the transfer to other states of virtually all profit from retail liquor sales *might* have a rather significant negative impact on the local economy and on the state.

The report discusses the sales – an unstated dollar amount – currently lost to cross-state purchases that will be recaptured if Kansas changes its liquor laws. Without reference to some authority for that assumption and without any dollar figure calculated for an estimate of the amount of cross-state sales that occur, it seems overly optimistic to assume that both a large number of cross-state purchases occur and that most of those purchases will stop with passage of SB 54.

Additionally, no consideration seems to be given to tax rates and the effect of tax rates on cross-state purchases, so the assumption of a measurable recapture becomes yet more optimistic. We believe that Missouri's lower tax rate and, therefore, resulting lower prices on cigarettes, all alcoholic beverages, motor fuel and a 1.225% tax on groceries is a more plausible reason that some Kansans choose to shop in Missouri. (We also have no research source to provide an estimate of the number of cross-state shoppers or the amount of money spent.)

We also don't believe that consumption and sales statistics support the anecdotal evidence that Kansans are purchasing measureable amounts of alcoholic beverages in Missouri. There are multi-year national sales and consumption per capita statistics in the attachments. You will note that Missouri and Kansas are not significantly different in most categories and therefore, we should probably not anticipate a large significant gain through cross-back liquor and grocery sales.

Also attached is a newspaper article discussing the phenomenon that causes New Hampshire and Montana to have a higher per capita consumption in the nation – by a significant amount. And an article that discusses the increase in Missouri liquor tax collections after Illinois raised their liquor tax.

There are a few additional issues::

- Why were the two types of businesses (grocery/convenience vs. liquor) "compared" when they have virtually nothing in common except cash registers and paper sacks?
- "Grocery stores and convenience stores employ more people per store". We assume this statement is not what it appears: that the total number of employees were simply divided by the total number of buildings. If so, the relevance of that calculation is unclear. We found no reference to total sales or square footage or other measure that might have greater relevance.
- No information was provided or apparently considered regarding the amount of square footage included in the analysis that has been or will be built or subsidized with public money in some form. Had that information been included, the "net" benefit to the state and local community that this report claims might have been less. If the "total" financial cost in public money of any subsidization was included, the affect on the conclusions might have been significant.
- Did the number of employees and the wage calculations include the owners of liquor stores? If not, that would change the number of employees and might change them rather significantly. A document word search produced no results for the words: "management"; "salary"; "salaries"; "owner"; "owners".

  Alternatively, who was included in the number of employees per grocery and convenience store and whose wages were included? Were managers and other management wages/salaries included? If so, that might also create numbers that aren't as relevant as are claimed.
- Dr. Hall uses the term "productive" which leaves the impression of "more efficient" (although that is never claimed) which would not be the conclusion based on the report: grocery stores are not more efficient – and apparently are significantly less efficient - if the report is correct about the very larger number of employees that grocery and convenient stores will hire to sell the same amount of alcohol currently being sold by individually owned liquor stores.

  According to the conclusions in the report, switching liquor sales to grocery and convenient stores will cost Kansans approximately $400M more in the next several years. (The report contains no estimate of how many years it will take to achieve the report's projected financial gains, however.)

  The $400M will presumably be collected through liquor sales – which means higher liquor prices. If not, the price of other store products will have to increase to carry the $400M extra that is reported as necessary to sell the same amount of liquor. It is unclear how higher prices and more taxes paid - directly or indirectly - by customers is a direct benefit to the customer.
- We found no analysis of the economic and social affect of destroying hundreds of businesses; many which have existed in communities for generations. While we question whether big box retailers and chain grocery stores will build onto their existing stores to accommodate the sale of alcohol, we know that many empty storefronts will be created by this legislation. Empty storefronts have an economic affect on not only the building owner but can have a negative effect on surrounding property values. Empty storefronts affect the public's perception – conscious or not – of the "impression" of a community and the desirability of living there.

  Those economic factors are important enough to have deserved consideration.

**<u>Implementing SB 54</u>**

Because SB 54 eliminates most restrictions for a retail licensee and the safeguards those restrictions created, we have a few "housekeeping" questions or concerns:

• Will ABC continue to require that anyone involved in handling alcoholic beverage products be registered with the state and a background check be conducted? If yes, was that cost included in the fiscal note? It will be a significant expense for the department and the KBI.

If the background check is another safeguard to be eliminated to accommodate corporate retailers, there is no point in requiring anyone in the employee of a liquor licensee to have more than the minimum requirements of retail licensee employees. It is unclear what would be gained by continuing the prohibitions other than providing yet more favored treatment for the corporate retailers we are creating in this legislation.

The employee registration system developed by ABC is not statutory so it is not required. But it was developed primarily to ensure that all employees meet the numerous statutory requirements and do not violate the numerous prohibitions. While ABC could simply abandon the current system because of the changes in this bill, it should not be presumed that will be the action. Instead, it should be presumed that ABC will continue with its current registration and disqualification system for all licensee employees *except* retailer employees.

Independent of registration, SB 54 creates a system that places a higher standard on the employees of a retailer than are placed on the licensee. (Individuals with felonies are prohibited from employment but a convicted felon majority shareholder does not prevent the corporation from obtaining a license.) CMB licensees will also have a higher licensing standard than retail liquor licensees.

• We advise against removing the requirement that the Director "shall issue" a license to a qualified applicant. (page 7, line 22) That language has been utilized in litigation to prevent a Director from exercising discretion as to who receives a license regardless of meeting all statutory requirements.

"May issue" is also removed in section 10 (page 8; line 9). If both the requirement and the discretion as to location are removed, it is uncertain how the courts will interpret the Director's authority as to whether there is any discretion or if there is great discretion. We recommend the section be rewritten and, at least, no discretion be granted if an applicant meets all statutory licensing requirements (even though there are almost no requirements for corporate applicants).

• The change in K.S.A. 41-311 as it relates to many other licenses may cause agency licensing confusion without some "clean up" amendments. Just in SB 54, K.S.A. 41-311(c)(3); (d)(3) and (f)(7) need to be amended as well as 41-311(g). Without further research but with relative certainty, there are other references to K.S.A. 41-311 as the basic qualifications for licensure including references in the Club and Drinking Establishment Act.

As part of our general concern about SB 54, two recent legislative enactments are demonstrative of part of our general concern about liquor being categorized as no different than any other grocery item.

1.) In 2009, "unlawfully hosting minors" was defined in Kansas law and was declared a criminal act. It was included in the re-codification of the Criminal Code last year and is attached. "Unlawfully hosting a minor" is the reckless allowance of real property to be used by an invitee or an invitee of the property possessor's child or ward that results in a minor (under 21) "possessing or consuming" alcoholic liquor. Obviously, anyone under 21 stocking shelves or otherwise handling alcoholic beverages in a grocery or convenience store will not "unlawfully possess" alcoholic liquor pursuant to SB 54 nor will an 18 year old scanning wine at the cash register.

The situation does however create a dichotomy. Any employee under 21 could be in a situation where consuming alcohol in the store after closing would be possible. And, friends could join them. If the liquor is paid for it doesn't constitute stealing. And, while corporate policy might not "allow" that behavior, typically neither do parent policies. But, under SB 54, this behavior would not constitute criminal behavior for the grocery or convenience store or bait shop but it is for a parent.

No one will be allowed to use as a defense that liquor is no different than milk or bread. But because of the attitude projected by SB 54, that will be the reason the store manager won't be charged.

2.) In 2010, FDA adopted regulations similar to Kansas law that institute more restrictions on the sale of tobacco products. Relevant to this legislation is the prohibition against selling tobacco products via "self-service" displays in grocery stores, convenience stores and other general merchandise outlets. Tobacco products must be either behind a counter or in a locked cabinet and thereby unavailable for possession by the consumer without the intervention of a store employee. (The rules are less restrictive if the tobacco is sold in a store dedicated to the sale of tobacco.) These restrictions apply to a product that is legal to use at 18 years.

The numerous measures taken by FDA – to be added to other previous FDA enactments – are intended to severely restrict access to all consumers regardless of age. The measures were deemed necessary to enhance their efforts to prevent underage smoking.

Underage access restrictions for alcoholic liquor are being rejected - by some – who argue that "consumer convenience" should be the primary concern of Kansans and Kansas legislators when determining how, when and by whom alcohol should be sold in Kansas.

As evidenced by the previous examples of recent legislaton, we believe SB 54 does not reflect the culture Kansans want promoted in Kansas by Kansans.

Thank you, Mr. Chairman.

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8-21

# Alcoholic Liquor Sales in Grocery, Convenience and/or General Merchandise Stores

| All alcoholic beverages | All or most alcohol but state controlled | Beer & wine | Mixed | Beer Only | 3.2% or less | No alcoholic beverages |
|---|---|---|---|---|---|---|
| Arizona | Alabama | Arkansas (AR wine only); off premise/county option | Texas | Connecticut | Colorado | Alaska |
| California | Idaho >16% ABV is state controlled retail | Maine: <15.5% beer ABV | Kentucky | Massachusetts | Kansas | Delaware |
| Florida | ***Iowa: food sales required*** | Montana: <16% ABV | Maryland | Mississippi | Minnesota | New Jersey |
| Georgia | Michigan | Washington | | New Hampshire: <12% | ***Oklahoma*** | North Dakota |
| Hawaii | North Carolina | Oregon | | New York | Utah | Pennsylvania |
| ***Illinois: local controls*** | ***Ohio (21% or less ABV)*** ***otherwise state run retail*** | Vermont: beer <8% ABV; wine <16% | | Tennessee | | Rhode Island |
| Indiana: License quotas | | Virginia >14% ABV is state controlled retail | | | | Wyoming |
| Louisiana | | West Virginia | | | | |
| ***Missouri*** | | South Carolina: wine <16% ABV | | | | |
| Nebraska | | | | | | |
| Nevada | | | | | | |
| New Mexico | | | | | | |
| South Dakota | | | | | | |
| Wisconsin | | | | | | |

***Bold Italics*** *indicate the headquarter state of a coalition member*

What are state controlled:

- Beer, Wine & Spirits
- Beer & Wine
- Wine & Spirits
- Spirits Only

Control States Are:

| | |
|---|---|
| Alabama | Ohio |
| Idaho | Oregon |
| Iowa | Pennsylvania |
| Maine | Utah |
| Michigan | Vermont |
| Mississippi | Virginia |
| Montana | Washington |
| New Hampshire | West Virginia |
| North Carolina | Wyoming |

12-9

PER CAPITA CONSUMPTION OF BEER BY STATE
Per Capita Based on Total Pop. and LDA Pop.; All Figures in Gallons

| TE | 2007 | LDA 2007 | 2008 | LDA 2008 | 2009 | LDA 2009 | |
|---|---|---|---|---|---|---|---|
| 3AMA | 22.9 | 31.9 | 23.0 | 32.1 | 22.5 | 31.3 | |
| ASKA | 22.2 | 32.1 | 21.2 | 30.4 | 18.8 | 26.9 | |
| ARIZONA | 23.6 | 33.9 | 22.5 | 32.1 | 21.3 | 30.5 | |
| *ARKANSAS* | *19.4* | *27.2* | *20.2* | *28.2* | *19.4* | *27.2* | Beer & AR wine |
| CALIFORNIA | 19.8 | 28.3 | 19.9 | 28.4 | 19.2 | 27.4 | |
| COLORADO | 23.1 | 32.3 | 22.9 | 31.9 | 21.5 | 29.9 | 3.2% or less only/genl merch store sales |
| CONNECTICUT | 17.1 | 23.7 | 17.2 | 23.7 | 16.6 | 22.8 | |
| DELAWARE | 26.5 | 36.8 | 25.7 | 35.7 | 24.4 | 33.8 | |
| DISTRICT OF COLUMBIA | 23.3 | 30.9 | 23.1 | 30.5 | 21.8 | 28.7 | |
| FLORIDA | 23.9 | 32.2 | 23.4 | 31.4 | 22.3 | 29.9 | |
| GEORGIA | 19.9 | 28.6 | 19.6 | 28.2 | 18.8 | 26.9 | |
| HAWAII | 24.4 | 33.1 | 24.3 | 32.8 | 23.8 | 32.0 | |
| IDAHO | 21.2 | 30.9 | 21.4 | 31.0 | 20.4 | 29.6 | |
| [redacted] | | | | | | | Grocery Store sales; Local Control exceptions |
| INDIANA | 20.4 | 28.8 | 20.2 | 28.5 | 19.6 | 27.6 | |
| *IOWA* | *25.1* | *35.0* | *25.6* | *35.8* | *25.6* | *35.6* | Control state; grocery store sales |
| KANSAS | 21.9 | 31.2 | 21.8 | 30.8 | 22.0 | 31.2 | 3.2% only/ genl merch store sales |
| KENTUCKY | 19.3 | 26.6 | 19.1 | 26.3 | 18.3 | 25.2 | |
| LOUISIANA | 27.0 | 38.4 | 27.1 | 38.5 | 25.7 | 36.5 | |
| MAINE | 24.6 | 32.8 | 24.5 | 32.6 | 24.1 | 31.9 | |
| MARYLAND | 18.6 | 25.9 | 18.3 | 25.5 | 17.4 | 24.1 | |
| MASSACHUSETTS | 20.4 | 27.9 | 20.1 | 27.3 | 19.1 | 26.0 | |
| MICHIGAN | 20.1 | 28.2 | 20.4 | 28.4 | 20.0 | 27.7 | |
| MINNESOTA | 21.5 | 30.0 | 21.2 | 29.5 | 20.8 | 28.9 | |
| MISSISSIPPI | 25.5 | 36.9 | 25.5 | 36.8 | 24.8 | 35.7 | |
| [redacted] | | | | | | | No limit on sales |
| MONTANA | 31.4 | 43.1 | 31.8 | 43.5 | 31.9 | 43.5 | No sales tax |
| [redacted] | | | | | | | No limit on sales |
| NEVADA | 30.4 | 42.7 | 29.8 | 41.9 | 27.9 | 39.2 | |
| NEW HAMPSHIRE | 32.0 | 43.7 | 31.6 | 42.9 | 31.9 | 43.2 | No sales tax |
| NEW JERSEY | 17.0 | 23.5 | 17.1 | 23.5 | 16.6 | 22.9 | |
| NEW MEXICO | 25.5 | 36.4 | 26.0 | 37.0 | 24.4 | 34.7 | |
| NEW YORK | 16.9 | 23.2 | 16.9 | 23.2 | 16.7 | 22.8 | |
| NORTH CAROLINA | 20.7 | 29.0 | 20.8 | 29.1 | 20.0 | 27.9 | |
| NORTH DAKOTA | 30.6 | 42.4 | 30.4 | 42.0 | 30.2 | 41.8 | |
| *OHIO* | *23.6* | *32.8* | *23.4* | *32.5* | *23.0* | *31.8* | 22% ABV no limit genl merch stores; >22% ABV state run stores |
| *OKLAHOMA* | *20.7* | *29.1* | *21.2* | *29.9* | *20.8* | *29.3* | 3.2% only/genl merch store sales |
| OREGON | 23.7 | 32.4 | 23.1 | 31.5 | 23.4 | 31.9 | |
| PENNSYLVANIA | 22.7 | 31.1 | 22.3 | 30.4 | 22.2 | 30.2 | |
| RHODE ISLAND | 20.2 | 27.7 | 20.3 | 27.8 | 19.6 | 26.8 | |
| SOUTH CAROLINA | 25.7 | 35.9 | 25.8 | 35.9 | 25.0 | 34.8 | |
| SOUTH DAKOTA | 27.5 | 38.8 | 27.4 | 38.6 | 27.4 | 38.5 | |
| TENNESSEE | 21.1 | 29.2 | 20.5 | 28.3 | 19.5 | 26.9 | |
| TEXAS | 24.6 | 36.2 | 25.3 | 37.2 | 24.4 | 35.8 | |
| UTAH | 13.2 | 20.6 | 13.2 | 20.5 | 12.4 | 19.3 | |
| VERMONT | 24.0 | 32.4 | 23.9 | 32.1 | 24.7 | 33.0 | |
| VIRGINIA | 21.4 | 29.6 | 21.0 | 29.0 | 20.5 | 28.3 | |
| WASHINGTON | 21.1 | 29.2 | 20.8 | 28.7 | 20.4 | 28.0 | |
| WEST VIRGINIA | 23.8 | 31.9 | 24.4 | 32.6 | 23.6 | 31.6 | |
| WISCONSIN | 27.7 | 38.3 | 27.8 | 38.4 | 27.1 | 37.4 | |
| WYOMING | 27.2 | 37.9 | 27.8 | 38.8 | 25.8 | 36.0 | |
| TOTAL | 21.8 | 30.6 | 21.7 | 30.4 | 21.1 | 29.5 | |

Source: Beer Institute - Revised 6/10/2009

| | 2009 |
|---|---|
| MONTANA | 43.5 |
| NEW HAMPSHIRE | 43.2 |
| NORTH DAKOTA | 41.8 |
| NEVADA | 39.2 |
| SOUTH DAKOTA | 38.5 |
| WISCONSIN | 37.4 |
| LOUISIANA | 36.5 |
| [redacted] | 36.2 |
| WYOMING | 36.0 |
| TEXAS | 35.8 |
| MISSISSIPPI | 35.7 |
| *IOWA* | 35.6 |
| SOUTH CAROLINA | 34.8 |
| NEW MEXICO | 34.7 |
| DELAWARE | 33.8 |
| VERMONT | 33.0 |
| [redacted] | 32.5 |
| HAWAII | 32.0 |
| OREGON | 31.9 |
| MAINE | 31.9 |
| *OHIO* | 31.8 |
| WEST VIRGINIA | 31.6 |
| ALABAMA | 31.3 |
| KANSAS | 31.2 |
| ARIZONA | 30.5 |
| PENNSYLVANIA | 30.2 |
| FLORIDA | 29.9 |
| COLORADO | 29.9 |
| [redacted] | 29.9 |
| IDAHO | 29.6 |
| *OKLAHOMA* | 29.3 |
| MINNESOTA | 28.9 |
| DISTRICT OF COLUMBIA | 28.7 |
| VIRGINIA | 28.3 |
| WASHINGTON | 28.0 |
| NORTH CAROLINA | 27.9 |
| MICHIGAN | 27.7 |
| INDIANA | 27.6 |
| CALIFORNIA | 27.4 |
| *ARKANSAS* | 27.2 |
| GEORGIA | 26.9 |
| TENNESSEE | 26.9 |
| ALASKA | 26.9 |
| RHODE ISLAND | 26.8 |
| MASSACHUSETTS | 26.0 |
| KENTUCKY | 25.2 |
| MARYLAND | 24.1 |
| NEW JERSEY | 22.9 |
| NEW YORK | 22.8 |
| CONNECTICUT | 22.8 |
| UTAH | 19.3 |

01-21

PER CAPITA CONSUMPTION OF WINE
Per Capita Based on Total Pop. And LDA Pop.; All Figures in Gallons

| STATE | 1994 | 2007 | LDA 2007 | 2008 | LDA 2008 | 2009 | LDA 2009 | |
|---|---|---|---|---|---|---|---|---|
| ALABAMA | 0.9 | 1.4 | 1.9 | 1.4 | 2.0 | 1.4 | 2.0 | |
| ALASKA | 2.0 | 2.8 | 4.0 | 2.8 | 4.0 | 2.8 | 3.9 | |
| 'ZONA | 1.7 | 2.3 | 3.3 | 2.3 | 3.3 | 2.3 | 3.3 | |
| ANSAS | 0.6 | 1.1 | 1.5 | 1.1 | 1.5 | 1.1 | 1.5 | No limit on sales |
| .IFORNIA ® | 2.8 | 3.4 | 4.9 | 3.4 | 4.9 | 3.4 | 4.9 | |
| COLORADO ® | 2.5 | 2.5 | 3.5 | 2.4 | 3.3 | 2.3 | 3.2 | 3.3% or less only/genl merch store sales |
| CONNECTICUT | 2.7 | 3.6 | 4.9 | 3.6 | 4.9 | 3.6 | 4.9 | |
| DELAWARE | 2.3 | 3.8 | 5.2 | 3.7 | 5.1 | 3.6 | 5.0 | |
| DISTRICT OF COLUMBIA | 4.7 | 6.5 | 8.7 | 6.6 | 8.8 | 6.6 | 8.7 | |
| FLORIDA | 2.1 | 3.2 | 4.3 | 3.2 | 4.2 | 3.1 | 4.2 | |
| GEORGIA | 1.4 | 1.6 | 2.3 | 1.5 | 2.2 | 1.5 | 2.2 | |
| HAWAII ® | 2.2 | 3.4 | 4.6 | 3.4 | 4.6 | 3.4 | 4.6 | |
| IDAHO ® | 1.7 | 2.1 | 3.0 | 2.1 | 3.0 | 2.0 | 2.9 | |
| ILLINOIS | 2.0 | 2.4 | 3.4 | 2.4 | 3.4 | 2.4 | 3.4 | |
| INDIANA | 1.2 | 1.5 | 2.1 | 1.5 | 2.1 | 1.5 | 2.1 | |
| IOWA ® | 0.7 | 1.1 | 1.5 | 1.1 | 1.5 | 1.1 | 1.6 | Genl merchandise sales; control state |
| KANSAS | 0.8 | 0.9 | 1.3 | 0.9 | 1.3 | 0.9 | 1.2 | 3.2% only/ genl merch store sales |
| KENTUCKY | 0.7 | 1.0 | 1.4 | 1.0 | 1.4 | 1.0 | 1.4 | |
| LOUISIANA ® | 1.3 | 1.7 | 2.4 | 1.6 | 2.3 | 1.6 | 2.2 | |
| MAINE | 1.7 | 2.8 | 3.7 | 2.8 | 3.7 | 2.7 | 3.6 | |
| MARYLAND | 1.7 | 2.2 | 3.1 | 2.2 | 3.1 | 2.2 | 3.1 | |
| MASSACHUSETTS ® | 2.8 | 4.0 | 5.5 | 4.1 | 5.5 | 4.1 | 5.5 | |
| MICHIGAN | 1.3 | 1.9 | 2.6 | 1.9 | 2.7 | 1.9 | 2.7 | |
| MINNESOTA | 1.5 | 2.0 | 2.8 | 2.0 | 2.8 | 2.1 | 2.9 | |
| MISSISSIPPI | 0.5 | 0.7 | 1.1 | 0.7 | 1.1 | 0.7 | 1.0 | |
| MISSOURI | 1.2 | 1.8 | 2.5 | 1.8 | 2.5 | 1.8 | 2.5 | No limit on sales |
| MONTANA | 1.5 | 2.3 | 3.1 | 2.2 | 3.1 | 2.2 | 3.0 | |
| NEBRASKA | 1.1 | 1.3 | 1.8 | 1.3 | 1.8 | 1.3 | 1.8 | No limit on sales |
| NEVADA | 3.5 | 3.9 | 5.5 | 3.8 | 5.4 | 3.8 | 5.3 | |
| NEW HAMPSHIRE ® | 3.1 | 4.8 | 6.5 | 4.8 | 6.5 | 4.8 | 6.5 | |
| NEW JERSEY ® | 2.7 | 3.5 | 4.9 | 3.6 | 4.9 | 3.6 | 5.0 | |
| NEW MEXICO | 1.2 | 1.7 | 2.4 | 1.7 | 2.4 | 1.7 | 2.4 | |
| NEW YORK | 2.2 | 2.9 | 4.0 | 2.9 | 4.0 | 2.9 | 4.0 | |
| NORTH CAROLINA | 1.3 | 1.7 | 2.4 | 1.7 | 2.4 | 1.7 | 2.3 | |
| NORTH DAKOTA ® | 0.9 | 1.3 | 1.8 | 1.3 | 1.8 | 1.3 | 1.8 | |
| OHIO | 1.0 | 1.6 | 2.2 | 1.6 | 2.3 | 1.7 | 2.3 | no limit genl merch stores; >22% ABV - state stores |
| OKLAHOMA | 0.8 | 1.1 | 1.5 | 1.1 | 1.6 | 1.1 | 1.6 | 3.2% only/genl merch store sales |
| OREGON | 2.5 | 3.2 | 4.3 | 3.1 | 4.3 | 3.1 | 4.2 | |
| PENNSYLVANIA | 1.1 | 1.5 | 2.1 | 1.5 | 2.1 | 1.5 | 2.0 | |
| RHODE ISLAND | 2.4 | 3.5 | 4.8 | 3.5 | 4.8 | 3.4 | 4.7 | |
| SOUTH CAROLINA | 1.0 | 1.6 | 2.2 | 1.5 | 2.1 | 1.5 | 2.1 | |
| SOUTH DAKOTA | 0.7 | 1.2 | 1.7 | 1.2 | 1.7 | 1.2 | 1.7 | |
| TENNESSEE | 0.9 | 1.3 | 1.7 | 1.3 | 1.8 | 1.3 | 1.8 | |
| TEXAS | 1.2 | 1.4 | 2.0 | 1.3 | 2.0 | 1.3 | 1.9 | |
| UTAH | 0.5 | 0.8 | 1.3 | 0.8 | 1.3 | 0.8 | 1.3 | |
| VERMONT | 3.0 | 4.0 | 5.3 | 4.1 | 5.4 | 4.1 | 5.5 | |
| VIRGINIA | 1.7 | 2.4 | 3.4 | 2.5 | 3.5 | 2.5 | 3.5 | |
| WASHINGTON | 2.4 | 3.2 | 4.4 | 3.2 | 4.4 | 3.2 | 4.4 | |
| WEST VIRGINIA | 0.5 | 0.7 | 0.9 | 0.7 | 0.9 | 0.6 | 0.9 | |
| WISCONSIN | 1.4 | 2.1 | 2.9 | 2.1 | 3.0 | 2.2 | 3.0 | |
| WYOMING | 0.9 | 1.5 | 2.0 | 1.4 | 2.0 | 1.4 | 2.0 | |
| TOTAL | 1.7 | 2.31 | 3.23 | 2.30 | 3.23 | 2.30 | 3.21 | |

*Preliminary 2007 Per Capita Consumption Figures based off 2007 population estimates
*Source: Beer Institute - Revised 5/21*

| | | |
|---|---|---|
| DISTRICT OF COLUMBIA | 8.7 | |
| NEW HAMPSHIRE ® | 6.5 | no sales ta |
| VERMONT | 5.5 | |
| MASSACHUSETTS ® | 5.5 | |
| NEVADA | 5.3 | |
| DELAWARE | 5.0 | |
| NEW JERSEY ® | 5.0 | |
| CALIFORNIA ® | 4.9 | |
| CONNECTICUT | 4.9 | |
| RHODE ISLAND | 4.7 | |
| HAWAII ® | 4.6 | |
| WASHINGTON | 4.4 | |
| FLORIDA | 4.2 | |
| OREGON | 4.2 | |
| NEW YORK | 4.0 | |
| ALASKA | 3.9 | |
| MAINE | 3.6 | |
| VIRGINIA | 3.5 | |
| ILLINOIS | 3.4 | |
| ARIZONA | 3.3 | |
| COLORADO ® | 3.2 | |
| MARYLAND | 3.1 | |
| MONTANA | 3.0 | |
| WISCONSIN | 3.0 | |
| IDAHO ® | 2.9 | |
| MINNESOTA | 2.9 | |
| MICHIGAN | 2.7 | |
| MISSOURI | 2.5 | |
| NEW MEXICO | 2.4 | |
| NORTH CAROLINA | 2.3 | |
| OHIO | 2.3 | |
| LOUISIANA ® | 2.2 | |
| GEORGIA | 2.2 | |
| INDIANA | 2.1 | |
| SOUTH CAROLINA | 2.1 | |
| PENNSYLVANIA | 2.0 | |
| ALABAMA | 2.0 | |
| WYOMING | 2.0 | |
| TEXAS | 1.9 | |
| NORTH DAKOTA ® | 1.8 | |
| NEBRASKA | 1.8 | |
| TENNESSEE | 1.8 | |
| SOUTH DAKOTA | 1.7 | |
| OKLAHOMA | 1.6 | |
| IOWA ® | 1.6 | |
| ARKANSAS | 1.5 | |
| KENTUCKY | 1.4 | |
| UTAH | 1.3 | |
| KANSAS | 1.2 | |
| MISSISSIPPI | 1.0 | |
| WEST VIRGINIA | 0.9 | |

12-11

PER CAPITA CONSUMPTION OF DISTILLED SPIRITS
Per Capita Based on Total Pop. And LDA Pop; All Figures in Gallons

| TE | 1994 | 2007 | LDA 2007 | 2008 | LDA 2008 | 2009 | LDA 2009 |
|---|---|---|---|---|---|---|---|
| .BAMA | 1.05 | 1.09 | 1.9 | 1.14 | 2.0 | 1.15 | 2.0 |
| ALASKA | 1.96 | 1.95 | 4.0 | 2.09 | 4.0 | 2.18 | 3.9 |
| ARIZONA | 1.34 | 1.48 | 3.3 | 1.43 | 3.3 | 1.38 | 3.3 |
| ARKANSAS | 0.9 | 1.2 | 1.5 | 1.3 | 1.5 | 1.3 | 1.5 |
| CALIFORNIA ® | 1.28 | 1.38 | 4.9 | 1.38 | 4.9 | 1.38 | 4.9 |
| COLORADO ® | 1.61 | 1.97 | 3.48 | 1.99 | 3.34 | 1.96 | 3.21 |
| CONNECTICUT | 1.55 | 1.67 | 4.9 | 1.73 | 4.9 | 1.73 | 4.9 |
| DELAWARE | 1.85 | 2.57 | 5.2 | 2.57 | 5.1 | 2.65 | 5.0 |
| DISTRICT OF COLUMBIA | 3.07 | 3.14 | 8.7 | 3.16 | 8.8 | 3.13 | 8.7 |
| FLORIDA | 1.72 | 1.89 | 4.3 | 1.84 | 4.2 | 1.89 | 4.2 |
| GEORGIA | 1.42 | 1.29 | 2.3 | 1.27 | 2.2 | 1.25 | 2.2 |
| HAWAII ® | 1.21 | 1.38 | 4.6 | 1.31 | 4.6 | 1.24 | 4.6 |
| IDAHO ® | 1.00 | 1.29 | 3.0 | 1.32 | 3.0 | 1.35 | 2.9 |
| ILLINOIS | 1.33 | 1.44 | 3.4 | 1.43 | 3.4 | 1.51 | 3.4 |
| INDIANA | 1.15 | 1.43 | 2.1 | 1.45 | 2.1 | 1.43 | 2.1 |
| IOWA ® | 0.91 | 1.32 | 1.5 | 1.40 | 1.5 | 1.43 | 1.6 |
| KANSAS | 0.93 | 1.25 | 1.3 | 1.28 | 1.3 | 1.29 | 1.2 |
| KENTUCKY | 1.07 | 1.26 | 1.4 | 1.29 | 1.4 | 1.29 | 1.4 |
| LOUISIANA ® | 1.41 | 1.59 | 2.4 | 1.63 | 2.3 | 1.67 | 2.2 |
| MAINE | 1.51 | 1.65 | 3.7 | 1.71 | 3.7 | 1.71 | 3.6 |
| MARYLAND | 1.48 | 1.68 | 3.1 | 1.70 | 3.1 | 1.73 | 3.1 |
| MASSACHUSETTS ® | 1.58 | 1.73 | 5.5 | 1.70 | 5.5 | 1.67 | 5.5 |
| MICHIGAN | 1.32 | 1.55 | 2.6 | 1.59 | 2.7 | 1.62 | 2.7 |
| MINNESOTA | 1.60 | 2.00 | 2.8 | 2.04 | 2.8 | 1.60 | 2.9 |
| MISSISSIPPI | 1.22 | 1.33 | 1.1 | 1.37 | 1.1 | 1.38 | 1.0 |
| MISSOURI | 1.17 | 1.55 | 2.5 | 1.60 | 2.5 | [illegible] | 2.5 |
| MONTANA | 1.34 | 1.73 | 3.1 | 1.76 | 3.1 | 1.77 | 3.0 |
| NEBRASKA | 1.10 | 1.43 | 1.8 | 1.55 | 1.8 | 1.54 | 1.8 |
| NEVADA | 3.18 | 2.46 | 5.5 | 2.58 | 5.4 | 2.24 | 5.3 |
| NEW HAMPSHIRE ® | 3.67 | 3.58 | 6.5 | 3.63 | 6.5 | 3.71 | 6.5 |
| NEW JERSEY ® | 1.55 | 1.70 | 4.9 | 1.72 | 4.9 | 1.72 | 5.0 |
| NEW MEXICO | 1.12 | 1.38 | 2.4 | 1.63 | 2.4 | 1.50 | 2.4 |
| NEW YORK | 1.17 | 1.34 | 4.0 | 1.35 | 4.0 | 1.39 | 4.0 |
| NORTH CAROLINA | 1.07 | 1.11 | 2.4 | 1.14 | 2.4 | 1.14 | 2.3 |
| NORTH DAKOTA ® | 1.51 | 2.16 | 1.8 | 2.30 | 1.8 | 2.35 | 1.8 |
| OHIO | 0.93 | 1.13 | 2.2 | 1.16 | 2.3 | 1.18 | 2.3 |
| OKLAHOMA | 0.97 | 1.02 | 1.5 | 1.07 | 1.6 | 1.06 | 1.6 |
| OREGON | 1.19 | 1.61 | 4.3 | 1.65 | 4.3 | 1.64 | 4.2 |
| PENNSYLVANIA | 0.92 | 1.17 | 2.1 | 1.22 | 2.1 | 1.21 | 2.0 |
| RHODE ISLAND | 1.30 | 1.72 | 4.8 | 1.72 | 4.8 | 1.73 | 4.7 |
| SOUTH CAROLINA | 1.43 | 1.48 | 2.2 | 1.46 | 2.1 | 1.43 | 2.1 |
| SOUTH DAKOTA | 1.38 | 1.70 | 1.7 | 1.69 | 1.7 | 1.73 | 1.7 |
| TENNESSEE | 1.04 | 1.17 | 1.7 | 1.19 | 1.8 | 1.22 | 1.8 |
| TEXAS | 0.96 | 1.09 | 2.0 | 1.11 | 2.0 | 1.11 | 1.9 |
| UTAH | 0.69 | 0.79 | 1.3 | 0.83 | 1.3 | 0.84 | 1.3 |
| VERMONT | 1.37 | 1.43 | 5.3 | 1.46 | 5.4 | 1.46 | 5.5 |
| VIRGINIA | 1.01 | 1.16 | 3.4 | 1.17 | 3.5 | 1.17 | 3.5 |
| WASHINGTON | 1.27 | 1.47 | 4.4 | 1.51 | 4.4 | 1.48 | 4.4 |
| WEST VIRGINIA | 0.77 | 0.87 | 0.9 | 0.90 | 0.9 | 0.92 | 0.9 |
| WISCONSIN | 1.73 | 2.20 | 2.9 | 2.13 | 3.0 | 2.32 | 3.0 |
| WYOMING | 1.58 | 2.17 | 2.0 | 2.22 | 2.0 | 2.16 | 2.0 |
| TOTAL | 1.27 | 1.44 | 3.23 | 1.46 | 3.23 | 1.46 | 3.21 |

*ce: Beer Institute - Revised 5/28/2008*

| | | |
|---|---|---|
| DISTRICT OF COLUMBIA | 8.7 | No sales or spirits tax |
| NEW HAMPSHIRE ® | 6.5 | No sales or spirits tax |
| VERMONT | 5.5 | no sales tax? |
| MASSACHUSETTS ® | 5.5 | |
| NEVADA | 5.3 | |
| DELAWARE | 5.0 | |
| NEW JERSEY ® | 5.0 | |
| CALIFORNIA ® | 4.9 | |
| CONNECTICUT | 4.9 | no spirits tax/control state |
| RHODE ISLAND | 4.7 | |
| HAWAII ® | 4.6 | no spirits tax/control state |
| WASHINGTON | 4.4 | no spirits tax/control state |
| FLORIDA | 4.2 | |
| OREGON | 4.2 | |
| NEW YORK | 4.0 | no sales tax |
| ALASKA | 3.9 | no spirits tax/control state; no sales tax |
| MAINE | 3.6 | Low liquor taxes |
| VIRGINIA | 3.5 | |
| ILLINOIS | 3.4 | no spirits tax/control state; no sales tax |
| ARIZONA | 3.3 | no spirits tax/control state |
| COLORADO ® | 3.2 | no spirits tax/control state |
| MARYLAND | 3.1 | no spirits tax/control state |
| MONTANA | 3.0 | no spirits tax/control state |
| WISCONSIN | 3.0 | |
| IDAHO ® | 2.9 | |
| MINNESOTA | 2.9 | no spirits tax/control state |
| MICHIGAN | 2.7 | |
| MISSOURI | 2.5 | |
| NEW MEXICO | 2.4 | |
| NORTH CAROLINA | 2.3 | no spirits tax/control state |
| OHIO | 2.3 | |
| LOUISIANA ® | 2.2 | |
| GEORGIA | 2.2 | |
| INDIANA | 2.1 | no spirits tax/control state |
| SOUTH CAROLINA | 2.1 | no spirits tax/control state |
| PENNSYLVANIA | 2.0 | no spirits tax/control state |
| ALABAMA | 2.0 | no spirits tax/control state |
| WYOMING | 2.0 | |
| TEXAS | 1.9 | |
| NORTH DAKOTA ® | 1.8 | |
| NEBRASKA | 1.8 | |
| TENNESSEE | 1.8 | |
| SOUTH DAKOTA | 1.7 | |
| OKLAHOMA | 1.6 | |
| IOWA ® | 1.6 | |
| ARKANSAS | 1.5 | |
| KENTUCKY | 1.4 | |
| UTAH | 1.3 | |
| KANSAS | 1.2 | |
| MISSISSIPPI | 1.0 | |
| WEST VIRGINIA | 0.9 | |
| TOTAL | | |

Yellow & Green: states in Hall study
Blue: hdqrtr states

| | |
|---|---|
| Iowa | Arkansas |
| Illinois | Oklahoma |
| Ohio | Missouri |

## Table 5: State Alcohol Policies

| State | Beginning of .08 Standard[1] | Requires Warning Signs | Requires Keg Registration | Ban on Sunday Sales[2] | State Control[3] | Year of Last Tax Increase | Alcohol Tax Rank[4] |
|---|---|---|---|---|---|---|---|
| Alabama | Before 1998 | | | Yes | Yes | 1982 | 3 |
| Alaska | Sep 2001 | Yes | | | | 2002 | 1 |
| Arizona | Aug 2001 | Yes | | | | 1983 | 27 |
| Arkansas | Aug 2001 | | | Yes | | 2001 | 23 |
| California | Before 1998 | Yes | Yes | | | 1991 | 35 |
| Colorado | July 2004 | | | Yes | | 1976 | 47 |
| Connecticut | Jul 2002 | | Yes | Yes | | 1989 | 17 |
| Delaware | Jul 2004 | Yes | | | | 1990 | 21 |
| DC | Apr 1999 | Yes | Yes | | | 1989 | 30 |
| Florida | Before 1998 | | | | | 1999 | 2 |
| Georgia | Jul 2001 | Yes | Yes | Yes | | 1964 | 6 |
| Hawaii | Before 1998 | | | | | 1998 | 4 |
| Idaho | Before 1998 | | Yes | | Yes | 1961 | 43 |
| Illinois | Before 1998 | Yes | | Yes | | 1999 | 18 |
| Indiana | Jul 2001 | | Yes | Yes | | 1981 | 40 |
| Iowa | Jul 2003 | | | | Yes | 1986 | 12 |
| Kansas | Before 1998 | | Yes | Yes | | 1987 | 39 |
| Kentucky | Oct 2000 | Yes | | Yes | | 1982 | 45 |
| Louisiana | Sep 2003 | | Yes | | | 1948 | 35 |
| Maine | Before 1998 | | Yes | | Yes | 1986 | 18 |
| Maryland | Sep 2001 | | Yes | | | 1972 | 46 |
| Massachusetts | Jun 2003 | | Yes | | | 1975 | 31 |
| Michigan | Sep 2003 | | | | Yes | 1966 | 29 |
| Minnesota | Aug 2005 | Yes | Yes | Yes | | 1987 | 32 |
| Mississippi | Jul 2002 | | | | Yes | 1986 | 25 |
| Missouri | Sep 2001 | Yes | | | | 1971 | 49 |
| Montana | Apr 2003 | | | | Yes | 1992 | 25 |
| Nebraska | Sep 2001 | Yes | Yes | Yes | | 2003 | 13 |
| Nevada | Sep 2003 | | | | | 2003 | 34 |
| New Hampshire | Before 1998 | Yes | Yes | | Yes | 1991 | 15 |
| New Jersey | Jan 2004 | Yes | | | | 1992 | 28 |
| New Mexico | Before 1998 | Yes | Yes | | | 1993 | 5 |
| New York | Jul 2003 | Yes | Yes | | | 1990 | 38 |
| North Carolina | Before 1998 | | | | Yes | 1969 | 8 |



12-12

| State | Beginning of .08 Standard[1] | Requires Warning Signs | Requires Keg Registration | Ban on Sunday Sales[2] | State Control[3] | Year of Last Tax Increase | Alcohol Tax Rank[4] |
|---|---|---|---|---|---|---|---|
| North Dakota | Aug 2003 | | Yes | | | 1967 | 35 |
| Ohio | Jun 2003 | | | | Yes | 1993 | 42 |
| Oklahoma | Jul 2001 | | Yes | Yes | | 1987 | 10 |
| Oregon | Before 1998 | Yes | Yes | | Yes | 1977 | 44 |
| Pennsylvania | Sep 2003 | | | | Yes | 1947 | 50 |
| Rhode Island | Jul 2000 | | Yes | Yes | | 1989 | 32 |
| South Carolina | Aug 2003 | | | Yes | | 1969 | 11 |
| South Dakota | Jul 2002 | Yes | Yes | Yes | | 1988 | 14 |
| Tennessee | Jul 2003 | Yes | | Yes | | 2002 | 18 |
| Texas | Sep 1999 | | | | | 1984 | 41 |
| Utah | Before 1998 | | Yes | Yes | Yes | 2003 | 7 |
| Vermont | Before 1998 | | Yes | | Yes | 1981 | 24 |
| Virginia | Before 1998 | | Yes | Yes | Yes | 1993 | 9 |
| Washington | Jan 1999 | Yes | Yes | | Yes | 1997 | 16 |
| West Virginia | May 2004 | Yes | | | Yes | 1966 | 21 |
| Wisconsin | Sep 2003 | | | | | 1969 | 48 |
| Wyoming | Jul 2002 | | | | Yes | 1935 | 51 |

Notes:
1. .08 refers to the minimum blood alcohol content limit for driving while intoxicated.
2. Ban on Sunday Sales is coded as Yes if any type of alcohol sales is generally prohibited on Sundays.
3. State Control is coded as Yes if any aspect of the retail or wholesale distribution system is administered by the state. For details, see the State Profiles.
4. Alcohol Tax Rank is a composite based on ranks for beer, wine, and distilled spirits taxes. These rankings are not approximate because of differences in the nature of state taxes (sales and volume) as well as lack of comparability for states with state-run liquor stores that impose mark-ups as well as taxes.
See Appendix 1 for data sources.

## Conclusion

Because of persistent state budget deficits and a variety other factors, the issue of alcohol tax rates is likely to remain on state legislative agendas for the foreseeable future. Consequently, the opportunity exists for pertinent research findings to influence the policymaking process. In some states, advocates for higher alcohol taxes are seizing this opportunity to educate legislators about the relationship between alcohol taxes and alcohol-related problems and associated state spending.

This report contributes to that process by providing an extensive dataset researchers and advocates can use to prioritize among states. work toward creating favorable conditions in their states, and presenting findings in a way that maximizes their impact. Each of the principal national organizations actively supporting increased alcohol taxes participated in the project and plans to use the report's findings to target their efforts.



12-13

## Demographic Factors

Many characteristics of states themselves have some influence on the viability of proposals to raise alcohol taxes and hence the likelihood that relevant research will be influential. Simple geography, including likelihood of cross-border sales involving states with different tax rates, has some effect.

Among population characteristics, several are inferentially related to the likely support or opposition to alcohol taxes and receptivity to pertinent research findings. For example, public opinion polls show higher support for raising alcohol taxes among non-whites and people with a high school degree or less. States with relatively low consumption levels and high proportions of nondrinkers and light drinkers are also likely to be more receptive to research-based rationales for raising alcohol taxes, especially research on harm done by alcohol drinkers to other parties. Also, because increased taxes on alcohol are considered by some to be "sin taxes," support for such taxes is likely to be higher in states with higher percentages of residents who identify themselves as evangelicals and where the political culture is Traditionalistic as that term is defined by Elazar (1966). Table 3 presents state data for each of these characteristics.

**Table 3: Alcohol Orientation**

| State | Non-drinkers | Light Drinkers | Per Capita Beer (gals) | Per Capita Wine (gals) | Per Capita Spirits (gals) | Evangelicals | Political Culture |
|---|---|---|---|---|---|---|---|
| Alabama | 58% | 26% | 21.1 | 1.0 | 1.0 | 41% | Traditionalistic |
| Alaska | 39% | 37% | 23.2 | 2.4 | 1.8 | 12% | Individualistic |
| Arizona | 43% | 32% | 26.8 | 2.1 | 1.4 | 9% | Traditionalistic |
| Arkansas | 61% | 25% | 19.1 | 0.8 | 1.1 | 43% | Traditionalistic |
| California | 42% | 34% | 19.3 | 3.0 | 1.2 | 7% | Moralistic |
| Colorado | 35% | 39% | 25.4 | 2.6 | 1.9 | 11% | Moralistic |
| Connecticut | 37% | 39% | 17.2 | 3.2 | 1.5 | 2% | Individualistic |
| Delaware | 41% | 35% | 25.3 | 3.1 | 2.1 | 5% | Individualistic |
| DC | 61% | 34% | 25.0 | 5.4 | 3.0 | - | Moralistic |
| Florida | 46% | 33% | 24.8 | 2.6 | 1.7 | 14% | Traditionalistic |
| Georgia | 52% | 31% | 21.5 | 1.6 | 1.3 | 28% | Traditionalistic |
| Hawaii | 55% | 25% | 25.6 | 2.8 | 1.1 | 8% | Individualistic |
| Idaho | 51% | 30% | 20.5 | 3.4 | 1.0 | 9% | Moralistic |
| Illinois | 42% | 35% | 22.8 | 2.0 | 1.4 | 10% | Individualistic |
| Indiana | 50% | 33% | 20.4 | 1.2 | 1.2 | 16% | Individualistic |
| Iowa | 42% | 38% | 24.7 | 0.9 | 1.0 | 12% | Moralistic |
| Kansas | 49% | 33% | 19.9 | 0.9 | 1.0 | 16% | Moralistic |
| Kentucky | 66% | 21% | 19.3 | 0.9 | 1.0 | 34% | Traditionalistic |
| Louisiana | 55% | 27% | 26.5 | 1.4 | 1.3 | 22% | Traditionalistic |
| Maine | 45% | 32% | 23.0 | 2.4 | 1.4 | 3% | Moralistic |



12-14

| State | Non-drinkers | Light Drinkers | Per Capita Beer (gals) | Per Capita Wine (gals) | Per Capita Spirits (gals) | Evangelicals | Political Culture |
|---|---|---|---|---|---|---|---|
| Maryland | 44% | 35% | 19.0 | 1.9 | 1.5 | 8% | Individualistic |
| Massachusetts | 35% | 38% | 20.9 | 3.4 | 1.6 | 2% | Individualistic |
| Michigan | 42% | 33% | 21.0 | 1.5 | 1.4 | 11% | Moralistic |
| Minnesota | 33% | 40% | 22.2 | 1.7 | 1.7 | 11% | Moralistic |
| Mississippi | 61% | 25% | 24.8 | 0.7 | 1.2 | 40% | Traditionalistic |
| Missouri | 50% | 31% | 24.3 | 1.5 | 1.3 | 25% | Individualistic |
| Montana | 44% | 35% | 28.9 | 1.9 | 1.4 | 11% | Moralistic |
| Nebraska | 49% | 31% | 25.6 | 1.0 | 1.2 | 15% | Individualistic |
| Nevada | 39% | 34% | 33.2 | 3.9 | 2.5 | 5% | Individualistic |
| New Hampshire | 35% | 36% | 32.0 | 4.2 | 3.2 | 2% | Moralistic |
| New Jersey | 42% | 38% | 17.0 | 3.0 | 1.5 | 2% | Individualistic |
| New Mexico | 45% | 33% | 26.5 | 1.4 | 1.2 | 13% | Traditionalistic |
| New York | 42% | 36% | 17.3 | 2.3 | 1.1 | 3% | Individualistic |
| North Carolina | 58% | 26% | 22.5 | 1.6 | 1.0 | 26% | Traditionalistic |
| North Dakota | 36% | 40% | 27.2 | 0.9 | 1.6 | 10% | Moralistic |
| Ohio | 45% | 34% | 23.9 | 1.3 | 0.9 | 10% | Individualistic |
| Oklahoma | 60% | 27% | 20.4 | 0.9 | 1.0 | 41% | Traditionalistic |
| Oregon | 41% | 35% | 22.4 | 2.8 | 1.3 | 11% | Moralistic |
| Pennsylvania | 43% | 36% | 24.1 | 1.3 | 1.0 | 6% | Individualistic |
| Rhode Island | 36% | 37% | 21.9 | 3.0 | 1.4 | 2% | Individualistic |
| South Carolina | 53% | 27% | 26.3 | 1.4 | 1.3 | 29% | Traditionalistic |
| South Dakota | 39% | 39% | 26.2 | 0.9 | 1.4 | 14% | Moralistic |
| Tennessee | 72% | 18% | 20.6 | 1.0 | 1.0 | 37% | Traditionalistic |
| Texas | 48% | 33% | 26.8 | 1.3 | 1.0 | 24% | Traditionalistic |
| Utah | 70% | 18% | 13.0 | 0.8 | 0.7 | 2% | Moralistic |
| Vermont | 36% | 36% | 23.8 | 3.1 | 1.3 | 2% | Moralistic |
| Virginia | 45% | 33% | 21.5 | 2.1 | 1.0 | 17% | Traditionalistic |
| Washington | 38% | 37% | 19.6 | 2.5 | 1.3 | 10% | Moralistic |
| West Virginia | 67% | 21% | 22.7 | 0.7 | 0.7 | 11% | Traditionalistic |
| Wisconsin | 29% | 38% | 27.8 | 1.7 | 1.9 | 13% | Moralistic |
| Wyoming | 45% | 34% | 26.2 | 1.4 | 1.7 | 11% | Individualistic |

See Appendix 1 for data sources.

## Opposition

Because a powerful political constituency can block legislation regardless of research findings, the influence of alcohol-related industries—alcohol producers, distributors and retailers, including bars and restaurants—is very important. Almost without exception, everyone



12-15

# § 21-3610c. Unlawfully hosting minors consuming alcoholic liquor or cereal malt beverage.

**Kansas Statutes**

**Chapter 21. CRIMES AND PUNISHMENTS**

**Article 36. CRIMES AFFECTING FAMILY RELATIONSHIPS AND CHILDREN**

~~§ 21-3610c. Unlawfully hosting minors consuming alcoholic liquor or cereal malt beverage~~

(a) Unlawfully hosting minors consuming alcoholic liquor or cereal malt beverage is intentionally or recklessly permitting a person's residence or any land, building, structure or room owned, occupied or procured by such person to be used by an invitee of such person or an invitee of such person's child or ward, in a manner that results in the possession or consumption therein of alcoholic liquor or cereal malt beverages by a minor.

(b) Unlawfully hosting minors consuming alcoholic liquor or cereal malt beverage is a class A person misdemeanor, for which the minimum fine is $1,000. If the court sentences the offender to perform community or public service work as a condition of probation, as described in subsection (c)(10) of K.S.A. 21-4610, and amendments thereto, the court shall consider ordering the offender to serve the community or public service at an alcohol treatment facility.

(c) As used in this section, terms have the meanings provided by K.S.A. 41-102, and amendments thereto.

(d) The provisions of this section shall not be deemed to create any civil liability for any lodging establishment, as defined in K.S.A. 36-501, and amendments thereto.

(e) This section shall be a part of and supplemental to the Kansas criminal code.

**History.** L. 2004, ch. 94, § 4; L. 2006, ch. 173, § 6; L. 2007, ch. 198, § 3; L. 2009, ch. 90, § 1; July 1.

HB 2668

THE WALL STREET JOURNAL.
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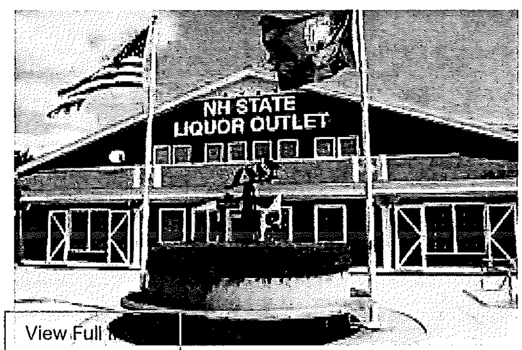
BUSINESS |

# Tax-Free Liquor Lures Buyers, Stirring Crossborder Tensions

By PHILIP SHISHKIN

HAMPTON, N.H. -- On Interstate 95 here, just past the Massachusetts border, a big red barn full of tax-free liquor has helped New Hampshire turn itself into a booze-sales machine.

The barn is the highest-grossing store in a state-owned network of 78 liquor outlets that together raked in $122 million in profit for the year ended June 30. The figure represents the biggest haul in New Hampshire since the end of Prohibition in 1933, according to the state liquor monopoly.




View Full

Philip Shishkin/The Wall Street Journal

NH Liquor Outlet is the highest-grossing store in a state-owned network of liquor outlets.

Amid the economic downturn, sales of hard liquor have been sluggish in most places, prompting the Distilled Spirits Council, an industry trade group, to warn that the industry is "not recession proof." But New Hampshire outperformed the rest of the country, cashing in on its proximity to Northeastern states that tax alcohol sales.

Throughout American history, alcohol taxes have stirred passions. In 1791, the fledging government imposed a liquor tax to help pay down debt from the Revolutionary War. The popular discontent over the tax blossomed into a full-blown "whiskey rebellion," requiring military intervention.

In more recent times, liquor taxes have been employed as part of a "sin tax" assault on harmful habits. But the overriding rationale has usually been to raise state revenue.

New Hampshire has taken a different tack, betting that higher sales of alcohol would offset the absence of tax receipts.

Nearly half of New Hampshire's booze is sold to out-of-state customers, according to state figures. Last year, New Hampshire, which derives more revenue from wine and liquor sales than any other non-tax source, had the highest per-capita sales of hard liquor in the country, a distinction the Granite State has held for years.



12-17

In a tough economy, out-of-state drinkers are even more drawn to New Hampshire's lower prices, says David Ozgo, a senior vice president at the Distilled Spirits Council.

Price differences can be steep -- the Hampton store recently offered one-liter bottles of Ketel One Vodka for $20.99. A private liquor store in downtown Boston, meanwhile, was selling a three-quarter liter bottle of the same vodka for $27.39.

**Liquor Levy**

**States with the lowest taxes on distilled spirits**

| STATE | TAX PER GALLON |
|---|---|
| New Hampshire | No tax |
| Wyoming | No tax |
| Vermont | $0.68 |
| District of Columbia/Maryland | $1.50 |
| West Virginia | $1.85 |

Note: As of 9/1/09; liquor sales controlled by state except Maryland and District of Columbia; taxes in Maryland can vary by alcohol type, container size.
Source: Distilled Spirits Council

A budget crunch in Massachusetts pushed lawmakers this summer to revoke alcohol's longstanding exemption from the sales tax.

"It's brutal," says Andrew Fleischer, a student at Bridgewater State College, near Boston. On a recent Monday, Mr. Fleischer and his father were pushing a shopping cart with a half-dozen bottles of wine across the parking lot of the Hampton store. They loaded up on the way to a vacation in Maine, which also taxes alcohol sales.

"You can't fault people for going [out of state] in order to save a dollar," says Peter Kessel, president of the Massachusetts Package Stores Association, which represents liquor stores and lobbied unsuccessfully against the sales tax. "I can't blame or be mad at New Hampshire."

The crossborder flow created an awkward moment last week for a supporter of the Massachusetts law. State representative Michael J. Rodrigues admitted to buying liquor at a store off the New Hampshire interstate, after being spotted by a tipster who provided photos of the lawmaker's car to the Boston Herald. Mr. Rodrigues, who voted for the recent tax boost, told another Massachusetts daily that he stopped at the store on the way home from vacation. Mr. Rodrigues didn't return calls seeking comment.

Technically, it is illegal to bring alcohol into Massachusetts without a special permit. But enforcement is another story. In 1976, Massachusetts sent undercover agents to stake out New Hampshire liquor stores and record license plates of Massachusetts shoppers. New Hampshire police responded by briefly detaining the Massachusetts agents.

The Massachusetts Alcoholic Beverages Control Commission said in a statement that these days it doesn't have the resources "to arrest persons found importing alcohol from New Hampshire to Massachusetts."

In a recent case in Maine, owners of a restaurant illegally brought hard liquor from New Hampshire, says Jeffrey Austin, alcohol enforcement chief at the Maine State Police. A restaurant employee tipped off the police. "They lost the liquor, they lost their license and they are no longer in business," says Mr. Austin.

Sales volumes in New Hampshire are so large that some manufacturers are rolling out special displays and promotions. Moët Hennessy USA, a unit of LVMH Group, which markets Dom Perignon champagne and Belvedere vodka among other beverages, installed high-end displays showing video of France's Champagne region in the Hampton store.

Presiding over the booze bonanza is New Hampshire Liquor Commission, a state agency that has a monopoly on liquor sales and traces its roots to the end of Prohibition.

Back then, many states wanted to maintain control over liquor sales. New Hampshire is among 18 states that still require wine and hard liquor to be sold through state agencies. Other states issue licenses for alcohol sales to private retailers.

Chairman Mark Bodi says he is trying to run the commission like a business, making plans to shut down unprofitable stores, and installing mood lighting to make shoppers linger and buy more.

A state audit earlier this year chided the commission for keeping liquor prices too low. The auditors said prices could be raised some -- and would still be lower than in Massachusetts, Maine and Vermont.

Mr. Bodi says the commission plans to hire a consultant to review its pricing. "Our brand has taken 75 years to develop," he says. "One doesn't change that formula recklessly."

**Write to** Philip Shishkin at philip.shishkin@wsj.com

Printed in The Wall Street Journal, page A18

# Tennessee: Liquor store owner fights effort to sell wine in grocery stores

Source: Times-News

By Hank Hayes

Published February 10th, 2011

Bard Quillman doesn't mince words about a legislative proposal to put wine for sale in Tennessee's grocery and convenience stores.

"This has got to die," said Quillman, who operates Red Dog Wine and Spirits in Franklin, Tenn., and is on the board of the Tennessee Wine and Spirits Retailers Association (TWSRA).

Quillman is one of more than 500 liquor store operators trying to stop the wine-in-retail-food-stores legislation pushed by the Tennessee Grocers and Convenience Stores Association (TGCSA).

He has testified before state legislative committees in the past on the issue, which he portrays as big business trying to put small business out of business.

"We've got to make this wine-ingrocery-stores (bill) go away," Quillman said in a phone interview. "I can't make plans if every time I'm turning around somebody is trying to stick their hand in my pocket and take out 25 percent of my business.

"I own everything in my store. It's my life savings. It's everything to me. If I buy a case of wine, I have to pay for it within 10 days."

What's changed in the fifth year of debate on this issue, said Quillman, is TGCSA no longer touts selling wine as a matter of consumer convenience.

# Missouri liquor sales skyrocket after Illinois alcohol tax increase

October 7th, 2009 10:10 am CT
**By Jarid Brown, Illinois Statehouse Examiner**

The State of Missouri released a revenue report this week showing that statewide tax revenues fell 16.3% year over year. However, one stream of tax revenue experienced an unexpected increase: Liquor taxes.

According to the State of Missouri, July and August liquor tax collection remained relatively flat before spiking in the month of September. The growth in liquor tax revenue was solely attributable to a phenomenal 41% increase in sales of hard liquor and wine. The St. Louis Dispatch estimates that $515,000 increase in hard liquor tax revenues would amount to increased sales of more than 1.29 million bottles of liquor. The increase in Missouri sales represents a $2-$3 million dollar loss in monthly Illinois tax revenues.

Why such a massive increase?

Missouri residents can thank the Illinois Legislature for the increased revenue as statewide increase in Illinois liquor taxes took effect in September. The massive increase in Illinois liquor taxes pushed Illinois tax rates to a level four times higher than their neighbor. For instance, Illinois now taxes hard liquor at a rate of $8.55 per gallon versus the Missouri rate of $2. Beer taxes in Illinois are now four times higher than their counterpart and wine taxes are triple the Missouri rate. As a result, Illinoisans living in earshot of Illinois' borders are purchasing their alcohol across state lines.

In Missouri, a bottle of the hard stuff will cost on average $3 less than a bottle purchased across the river. Retailers and Liquor associations fought against the increase in Illinois taxes asliquor, cigarettes and now Soft drinks and candy become the chosen products of increased taxation. Such associations warned the Illinois legislature that revenue estimates, just as in the past, would be much higher than actual revenue generated by the tax. Such warning of tax revenue overestimates were due to the legislature's failure to account for large segments of the Illinois population crossing into border states. As a result, industry associations warned that the alcohol tax increase could result in job losses and further budget shortfalls. However, the statehouse followed tradition and once again chose to institute new liquor taxes.

The information flowing out of Missouri comes on the heels of demands by Illinois' Governor Quinn that the legislature raise taxes on $1 per pack on cigarette sales toreinstate budget cuts to the Illinois MAP program. The State of Illinois has faced cigarette tax collection challenges in years past as Illinois residents flocked to bordering states to stock up on tobacco products. As a result, the State enacted a collection effort by requiring that Illinois residents disclose out of state cigarette purchases and pay an excise tax when filing their annual income taxes. However, its such voluntary collection efforts have largely failed and out-of-state purchases are likely to skyrocket if Illinois moves forward with current proposals. As a result, Missouri residents may soon be thanking the Illinois Statehouse for massive increases in revenue generated through tobacco taxes.

**Economy** **Legislation** **Taxes**

The Last Store on Main Street

**FOR IMMEDIATE RELEASE**

**Contact: Wendi Leggitt**
**(212) 681-1380 or (301) 247-0528**

**COALITION BLASTS PATERSON PLAN TO SELL WINE IN 19,000 NEW OUTLETS**
***Phony Compromise would Shutter more than 1,000 Mom-and-Pop Shops, Cost 4,500 jobs***

NEW YORK, NY January 19, 2010 – The Last Store on Main Street joined small business owners and independent wine sellers from around the state today to blast Governor Paterson's reckless plan to legalize wine sales in every deli, corner store, gas station, bodega and grocery store in New York.

No State in 28 years has approved this dangerous idea, while New York joined Tennessee, Kentucky and Colorado in rejecting this dangerous idea last year.

"This misguided plan would put money in the pockets of Big Box stores without creating even one new job, while imperiling Main Street businesses across the state and the thousands of jobs they provide," said Jeff Saunders, founder of the Last Store on Main Street coalition and president of the Retailers Alliance. "In the worst economy since the Great Depression, Governor Paterson is proposing a job-killing plan that would crush small businesses across New York. It's outrageous and wrong."

In a cynical attempt to soften his proposal, Governor Paterson has adopted the phony compromise plan pushed by Big Box stores that would allow wine stores to sell potato chips and other items. Big Box lobbyists falsely claim this lame idea would offset the loss of wine sales.

"This is a phony compromise that only provides cover for the Big Box stores in their quest to destroy our business and squeeze out more corporate profits," said Stefan Kalogridis, a coalition leader and president of the New York State Liquor Store Association. "New Yorkers can spot a phony idea every time and there is nothing phonier than a Big Box store that claims it wants to help small businesses."

Just last month, the Governor's own Law Review Commission on the State Liquor Authority said the Governor should put the idea on hold because it required a significant and independent economic review. The same report recommended a series of changes for wine and liquor store regulations, but did not recommend allowing stores to sell food ideas as proposed by Paterson.

In addition, a Cornell University study also issued last month found that wine stores would lose nearly 30 percent of their profits on average – a devastating blow that would close stores across the state.

**-more-**

12-23

According to an economic impact study completed for the industry prior to the collapse of the state's economy, nearly 40 percent of the wine stores in the state would be forced out of business if the sale of wine were legalized in every deli, corner store, gas station, bodega and grocery store in New York. As a result, more than 4,500 people would be forced out of work in the worst economy the state has experienced in generations.

"Our stores are already struggling with significant losses as a result of the economic slowdown, and taking away nearly 30 percent of their profit would put even the strongest stores at risk," said Michael Correra, a coalition leader and executive director of the Metropolitan Package Store Association. "It's amazing that Governor Paterson simply ignores the Law Review Commission report and its recommendations. It's that same attitude that emboldens bodegas to sell nutcrackers to kids. You have to wonder what Governor Paterson is thinking."

In addition to the economic toll, legalizing the sale of wine in thousands of new outlets around the state would carry significant social costs. In its September 30th report, the Law Revision Commission determined that "the SLA is unable to make prevention of underage drinking a statewide priority" and noted that it has just 38 enforcement officials dealing with 70,000 license holders.

Law enforcement agencies across the state, along with substance abuse experts, have opposed legalizing the sale of wine because they believe it will lead to an increase in underage drinking. New York State spends $3.2 billion annually to deal with the impact of underage drinking currently, according to the State Office of Alcoholism and Substance Abuse Services.

No State in more than 28 years has approved legislation legalizing the sale of wine in grocery stores, with Kentucky, Tennessee and Colorado joining New York in the last year in rejecting efforts by Big Box stores to take over this business. Massachusetts voters rejected the idea in a referendum in 2008.

"This idea is only dangerous to our young people and costly to New York taxpayers. It makes absolutely no sense to push a bad policy with long-term negative implications for speculative short-term gains," Saunders said. "New York should be doing more to fight underage drinking and job loss. Governor Paterson's proposal is one idea that should be tossed on the trash heap for good."

The Last Store on Main Street coalition is a group of small business advocates, local wine store owners and wholesalers working together to defeat Governor Paterson's reckless plan to legalize wine sales in every corner store, mini-mart, deli, bodega, grocery store and supermarket.

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denver and the west

# Colorado grocery-liquor bill iced

By Jessica Fender
*The Denver Post*

Posted: 05/06/2010 01:00:00 AM MDT

Updated: 05/06/2010 06:13:12 AM MDT

Colorado shoppers are much less likely to find beer, wine and liquor on supermarket shelves after a House committee on Wednesday killed a bill to expand alcohol sales and the prospects dimmed for two similarly aimed ballot initiatives.

It was the third time in as many years that a coalition of convenience stores, supermarkets and consumer advocates has been thwarted in the legislature.

House Bill 1279 would have allowed a supermarket to buy the license of a neighboring liquor store from its owners in the industry's most creative attempt yet to secure the beverages for their stores.

Calling herself "a realistic person," bill sponsor Rep. Buffie McFadyen, D-Pueblo West, said she didn't have the votes to pass HB 1279

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and asked the House Finance Committee to kill it. The vote was quick and unanimous.

Almost as quickly, the threat of two sales-expanding ballot initiatives that for months loomed large over the legislative debate seemed to fade, with powerhouse backers saying they've not yet decided to throw their full weight behind them.

Members of the Colorado Retail Council, one of the main backers of initiatives 48 and 65, are pausing to consider their options in the wake of the bill's death, president Chris Howes said.

There's a lot at stake.

"We're going to wait for the session to be over. We've got a little bit of time to understand the options we have before us," Howes said. "There's no doubt about it. If you lose in the fall, I don't think you'll have many legislators interested in running the bill next year."

Initiative 48 would end 3.2 percent low-alcohol beer; allow grocery stores to sell all forms of alcohol; allow convenience stores to sell stronger beer; and allow liquor-store proprietors to own more than one location.

Initiative 65 would only allow grocery stores to sell all forms of alcohol.

Under current rules, most grocery stores can sell only low-alcohol beer, with the full panoply of adult beverages allowed in just one store per chain. HB 1279 would have changed that.

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THE DENVER POST

A second bill to allow full-strength suds in convenience stores — now also limited to only low-alcohol beer — died in the same committee earlier this year.

But both proposals progressed further than previous bills aimed at expanding alcohol sales.

Liquor-store advocates Wednesday celebrated the death of HB 1279 in the hall outside the committee room.

The stores have waged war against changes to Colorado's liquor law by arguing that expanding sales would provide easier access to minors and put mom-and-pop liquor stores out of business.

Their advocates said they'd welcome a ballot initiative to put the question to rest.

"We're tan, rested and ready," said Jeanne McEvoy, president of the Colorado Licensed Beverage Association. "I don't get the feeling they're going (with the initiative). There's no public support for it."

Too much of the legislative debate focused on the effects on businesses, when the real winners or losers are consumers who want greater convenience, said Blake Harrison, who filed initiatives 48 and 65.

Still, with the statutory July 12 deadline looming, Harrison said he won't be able to gather the 76,047 signatures required to make the ballot without the help of the still-undecided grocers and the business community.

"It really has become a fight between the grocery stores and the liquor stores. Meanwhile, the people aren't getting what they want and haven't been for a long time," Harrison said. "It's perfect for a ballot initiative. That's what the process is there for."

*Jessica Fender: 303-954-1244 or jfender@denverpost.com*

**Comparing the proposals**

**House Bill 1279:** Would have allowed a liquor store to sell its license to a supermarket

**Initiative 48:** Would allow grocery stores to sell alcoholic beverages, convenience stores to sell higher-alcohol beer and allow liquor-store chains

**Initiative 65:** Would allow all alcoholic-beverage sales in grocery stores

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# Grocery store liquor bill advances

■ Amended proposal to be heard by House Finance Committee.



Posted: Thursday, April 8, 2010 12:00 am | Updated: 11:54 pm, Wed Apr 7, 2010.

By PATRICK MALONE | pmalone@chieftain.com |

**DENVER** — Make theirs a double.

The House Business Affairs and Labor Committee on Wednesday narrowly passed a bill that proposes to allow grocery stores with pharmacies to negotiate the purchase of liquor licenses within a 1,000-foot radius. But first, an amendment was tacked on requiring the stores to purchase a second liquor license outside of that buffer.

Independent liquor store owners, wholesalers of alcohol and Colorado's boutique craft-brew industry lined up to challenge the bill that would give more clout to grocery stores in the alcohol market.

Despite those protests, the House Business Affairs and Labor Committee by a vote of 6-5 approved HB1279, sponsored by Rep. Buffie McFadyen, Pueblo West.

The law would apply to the three largest grocery chains in Colorado — Safeway, King Soopers and Albertsons.

McFadyen said liquor store owners in proximity to grocery stores who don't want to sell their licenses have that choice, and no new liquor licenses would be generated by the proposal.

Another amendment added to the bill Wednesday would prohibit store employees younger than 21 from selling alcohol. Local liquor boards would have authority over the license transfers, and similar laws have worked well in other states, according to McFadyen.

Supporting McFadyen's position, Dan Clayton, real estate director of Safeway's Denver division, said New Mexico and Wyoming have similar laws. He said Safeway has paid as little as $50,000 to assume neighboring licenses in those states, but most of the sales are "well into the six-figures."

"This bill offers the independent liquor store owner an opportunity they don't have today," Clayton said.

Safeway representatives testified that craft brews are offered widely in markets that demand them, such as Portland, Ore., and that Colorado liquor enforcement statistics show retail liquor stores have about three times more violations — including sale to minors — than grocery and convenience stores.

Tong H. Kim has owned Bonny Hy-Land Liquor in Pueblo since 1992. He testified in opposition to the bill.

"This is about corporate greed and profit," Kim said. "This bill is about defeating Colorado small business."

Kim characterized grocery stores seeking to reach deeper into the liquor market as "disrespectful" of the Legislature and its past decisions. He cited the example of last year's ill-fated legislation seeking to add full-strength beer to the shelves of grocery stores, when the grocery lobby said that's all it sought.

Now, Kim noted, grocery stores want to offer everything from wine to bourbon by acquiring liquor licenses.

"I'm tired of worrying and looking over my shoulder every legislative session," Kim said.

If the grocery stores offered a wider selection of alcohol, profits would be driven down at independent liquor stores in their neighborhoods, several liquor store owners said.

The greatest concern came from those who own stores outside the 1,000-foot radius of grocery stores and wouldn't have the opportunity to sell, but would have increased competition for customers.

Speaking to those concerns, Rep. Kevin Priola, R-Henderson, offered the amendment requiring the purchase of two licenses — one within the buffer zone and one outside of it, but within the same licensing jurisdiction.

He said the amendment, which the committee adopted with an 8-3 vote, aimed to protect those independent liquor stores that couldn't cash in on the bill in its original form.

Craft brewers objected to the bill because they rely on independent sellers in close proximity to their operations to offer their wares. A Colorado liquor wholesaler also testified that his business would be hurt by the disappearance of independent store owners who tend to be more open to selling boutique fare, such as unique wines and microbrews.

"A grocery store isn't going to carry our super-Tuscan wines," said Grant Bauer of Western Distributing Co. "They're going to carry mainstream, well-known products."

McFadyen and lawmakers on the committee who voted for the bill, like Priola and Rep. Amy Stephens, R-Monument, said they don't believe its impact on independent liquor stores, craft brewers and wholesalers will be as significant as was stated.

The bill will next be heard by the House Finance Committee.

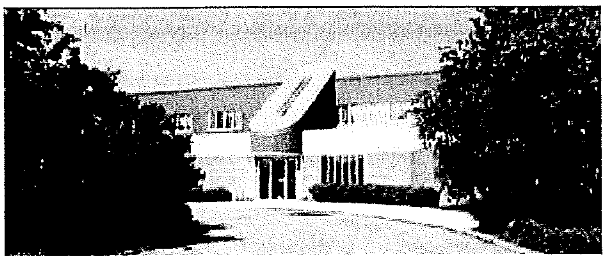
1

State of Iowa
ALCOHOLIC
BEVERAGES DIVISION

Search... Go

- Home
- About
- Alcohol
- Education
- Tobacco
- Links
- Contact

# About



# Historical Highlights

Following are highlights of Iowa's liquor control system:

**Jan. 20, 1920 -**

Volstead Act (national prohibition) becomes effective following ratification of the 18th Amendment by the states. (18th Amendment prohibited the 'manufacture, sale, or transportation of intoxicating liquor.')

**Feb. 20, 1933 -**

U.S. Congress repeals the 18th Amendment and the Volstead Act by approving the 21st Repeal Amendment. Iowa votes in favor of repeal of the 18th Amendment at its ratification convention on July 10, 1933.

**Dec. 5, 1933 -**

Proclamation 2065 officially replaces the 18th Amendment with the 21st Repeal Amendment; 14 years of national prohibition are ended.

**March 8, 1934 -**

Iowa becomes one of the original 'control' or 'monopoly' states and assumes direct control over the wholesale and retail distribution of all alcoholic beverages except beer.

Also effective on this date: the general public is required to obtain a special permit from the Liquor Control Commission and to present a special booklet to purchase liquor (repealed May 16, 1963); and, liquor stores are required to be closed on national, state and municipal election days. (Repealed Jan. 1, 1972.)

**June 19, 1934 -**

Iowa's first retail liquor stores are opened in Des Moines, Marshalltown, Mason City, Atlantic and Oelwein.

**July 4, 1963 -**

The Class C liquor license is created allowing the sale of alcoholic beverages by the drink for on-premises consumption. Counties have the 'local option' of prohibiting liquor by the drink in their jurisdictions. ('Local option' repealed Jan. 1, 1972.)

Also effective on this date: dram shop liability insurance becomes a precondition to the issuance of on-premises retail liquor licenses and beer permits.

**July 1, 1967 -**

A special 15 percent licensee tax on liquor and wine replaces the 10% occupational tax, which had been effective since July 4, 1963. The 15 percent tax is paid at the point of purchase on liquor and wine purchased for resale in licensed establishments; the 10 percent occupational tax had been paid on liquor purchased in licensed establishments. (15 percent licensee tax repealed July 1, 1986.)

**Jan. 1, 1972 -**

Reorganization legislation makes several changes including:

- Liquor statutes are streamlined from 12 separate chapters in the Iowa Code to one comprehensive chapter known as the 'Iowa Beer and Liquor Control Act.'
- The Iowa Beer and Liquor Control Department, consisting of a five-member, part-time council and one full-time director, replace Iowa Liquor Commission, consisting of three full-time commissioners.
- The Beer and Liquor Control Department is empowered to regulate the beer industry.
- Liquor enforcement agents are transferred from the Beer and Liquor Control Department to the Department of Public Safety.
- The Class C liquor license becomes a combination on-premises liquor, wine and beer license ending the necessity of license holders to obtain separate city beer permits, state beer permits and state liquor licenses.

**May 4, 1972 -**

The term 'grocery store' is redefined, allowing gasoline stations that sell a few grocery items to sell beer for off-premises consumption.

**July 1, 1973 -**

Qualifying license and permit holders are allowed to sell alcoholic beverages on Sundays by obtaining a Sunday sales privilege. Counties are given the 'local option' of prohibiting Sunday sales in their jurisdictions. ('Local option' repealed Aug. 15, 1977.)

**May 1, 1979 -**

Under a bottle deposit law, the department begins collecting a 5-cent deposit on each bottle of liquor and wine sold to the general public.

**July 1, 1980 -**

The sale of revenue bonds is authorized for the financing of a new liquor distribution center. A bid opening is held on Aug. 7, 1980 with the successful bidder submitting an interest rate of 6.25 percent on the $4 million sale.

**Jan. 7, 1981 -**

The department's administrative offices are moved into the new liquor distribution center; the warehouse is moved the following April. It is the first time in more than 30 years that both components are housed within the same facility.

**July 1, 1984 -**

The Iowa Legislature appropriates funds for 'not less than six new mini stores.' Mini liquor stores are established in Johnston, S.W. Des Moines, Pleasant Hill, Altoona, Eldridge and N.W. Davenport bringing the total number of stores to 220.

**July 1, 1985 -**

Iowa's wine monopoly is ended and a dual system of wine is created with the issuance of new wholesale and retail wine permits to qualified applicants. Also on this date: license and permit holders are no longer required to break empty liquor, wine and beer bottles.

**July 1, 1986 -**

- Beer and Liquor Control Department is replaced by Alcoholic Beverages Division
- One of nine regulatory divisions of the newly created Department of Commerce.

- Alcoholic Beverages Division is designated as the sole wholesaler of all alcoholic liquor sold in the state; the liquor inventory is placed under a system of bailment. Wholesale wine sales are placed entirely in the private sector; the division continues retail wine sales in state liquor stores until June 30, 1987.
- the division prepares to disband its retail operations and begins issuing new off-premises (Class E) liquor licenses to qualified applicants.

Also effective on this date, Iowa's legal drinking age is raised to 21 years. Previous legal drinking ages were:

- 19 (July 1, 1978 to July 1, 1986) *
- 18 (July 1, 1973 to July 1, 1978)
- 19 (July 1, 1972 to July 1, 1973)
- 21 (prior to July 1, 1972)
  *Did not apply to persons born on or before June 30, 1960.

**March 1, 1987 -**

221 state retail liquor stores close as 256 licensed private liquor outlets are established in their market areas. During a four-month transition period, state stores continue to close as private outlets are established.

**July 1, 1987 -**

Iowa's reorganized liquor control system is fully operational. 410 licensed private outlets sell liquor to retail consumers and to on-premises licensees; the Alcoholic Beverages Division wholesales liquor to the private outlets.

**July 1, 1988 -**

A $300 civil penalty replaces the 14-day suspension, which is imposed for a conviction of Iowa Code section 123.49(2)(h) - selling, giving or otherwise supplying an alcoholic beverage or beer to a person under the legal-drinking age.

Also effective on this date, license fees are lowered for licensed establishments located in areas that meet the definition of an 'unincorporated town.'

**July 1, 1989 -**

A new Class A beer (brew pub) permit is created to allow holders of Class C and special Class C liquor licenses and Class B beer permits to manufacture beer in their establishments for on-premises consumption. Other legislation effective on this date:

- Permits the administrator to negotiate and settle tax disputes with beer and wine wholesalers, and establishes a system of administrative appeals regarding these disputes.
- Establishes a $5,000 civil penalty where Class E liquor licenses are revoked for violation of bootlegging provisions of Iowa Code chapter 123.

- Establishes a civil penalty up to $1,000 which may be imposed on beer and wine wholesalers who violate provisions of Iowa Code chapter 123.
- Allows wine wholesalers and vintners to provide coupons and rebates on purchases of wine.
- Eliminates requirement that ministers, priests and rabbis obtain a special permit to purchase wine for sacramental use.

**July 1, 1990 -**

New five-day Class C and special Class C liquor licenses and Class B beer permits are created for festivals, fairs and celebrations 'sponsored or authorized' by a local authority. Also on this date: 14-day Class B wine permits are rescinded. Only six- and eight-month and annual Class B wine permits may be issued.

**July 1, 1991 -**

On-premises Classes A, B and C liquor licensees are allowed to purchase limited quantities of wine (up to one case per wine brand within a 24-hour period) from off-premises Class E liquor licenses who also hold an off-premises Class B wine permit.

**July 1, 1992 -**

Hours of selling alcoholic beverages on Sundays are lengthened. New Sunday hours are from 8 a.m. to 2 a.m on the following Monday. Previous Sunday hours of sale were:

- 10 am to midnight (July 1, 1984 to July 1, 1992)
- Noon to 10 p.m. (Prior to July 1, 1984)

**July 1, 1993 -**

The division's three-member hearing board is disbanded and a new appeal process is put in place. License holders who are not satisfied with a decision of the division administrator file their appeal directly with the district court. License and permit holders who are not satisfied with a decision of the local authority file their appeal directly with the division administrator.

Other legislation effective on this date:

- Eliminates requirement that physicians, veterinarians, pharmacists and food manufacturers obtain a special permit to manufacture and sell medicines, food products, toiletries, perfumes and other items containing alcohol.
- Establishes administrative civil penalties in amounts up to $1,000, which may be imposed for violations of Iowa Code chapter 123; civil penalties imposed by the division are retained for licensee and law enforcement education.
- Changes time frame (from five to three years) for progressive administrative sanctions imposed against license holders as the result of sales-to-minors (Iowa Code section 123.49) violations.
- Creates a catering privilege allowing Classes B and C liquor licensees to cater alcoholic beverages as part of a food catering service at private social gatherings.
- Eliminates OWI Intoxication Notice posting requirement.

**July 1, 1994 -**

Distilled spirits brokers are licensed by the division for an annual fee of $25. Also effective this date, liquor licensees are allowed to confiscate driver's licenses and Iowa identification cards if the licensee has reasonable belief that the license has been altered, falsified or belongs to another person and is being used to purchase or attempt to purchase alcoholic beverages.

**July 1, 1996 -**

Reciprocal shipment of wines law is enacted allowing Iowa vintners to ship wine into other states with equal reciprocal shipment privilege laws to individuals 21 and older. Wineries located in other states with equal reciprocal shipment privilege laws may ship not more than 18 liters of wine per month into Iowa to individuals 21 and older. All wine shipments must be for personal use only.

**July 1, 1997 -**

Iowa Code section 123.47A is repealed. Criminal penalties for sales-to-minors violations by licensees (their employees and agents) are changed from a simple misdemeanor punishable by a $100 fine ($50 for sales to 19- and 20-year-olds) to a serious misdemeanor punishable by a $1,500 fine. When an employee or agent of a liquor licensee commits a violation, the licensee and employee or agent are considered to have committed the violation. Each must pay a $1,500 fine. All sales-to-minors violations receive the same administrative civil penalties, license suspensions and revocations.

**May 19, 1998 -**

Iowa Code Section 123.49 subsection 2 paragraph h is amended to change a violation for sales of alcohol to minors, from a serious misdemeanor to a simple misdemeanor punishable by a scheduled violation of $100 under section 805.8 as opposed to the previous fine of $500.

**May 5, 2000 -**

Funding and authority for the tobacco enforcement is appropriated and transferred to the Iowa Alcoholic Beverages Division. Under the authority granted by the Legislature, the Iowa Alcoholic Beverages Division creates the Iowa Pledge Tobacco Education and Enforcement Program.

**July 2001 -**

The Iowa Alcoholic Beverages Division releases initial results of the Iowa Pledge Tobacco Education and Enforcement Program. Initial data showed that the retail compliance rate following the first year of the Iowa Pledge program was 82% with a non-compliance rate of 18%. The compliance rate was compiled from law enforcement agencies across the state, which conducted compliance checks of Iowa's tobacco retailers.

**May 2005 -**

The Division topped $1 Billion in transfers to the general fund in May 2005. Reorganized on July 1, 1987, when the last state liquor store was closed and the state became the exclusive wholesaler of distilled spirits, the Division generated that revenue contribution in a span of less than 18 years.

**July 1, 2008 -**

The Iowa Smokefree Air Act took effect banning smoking in most public places, including bars and restaurants.

**June 30, 2009 -**

The Division transferred over $100 million to the general fund for the first time.

**March 2010 -**

SF2088, *the Reorganization Bill*, was signed by Governor Culver, creating and changing a number of alcohol related laws. The bill

- Created *Class "A" Micro-Distilled Spirits Permit*, allowing Iowa micro-distilleries to sell their products for off-premises consumption without circumventing the three-tier system.
- Created a *Charity Beer and Wine Auction Permit*, which allows nonprofit entities to hold up to two beer and wine auctions per calendar year.
- Defined *high alcoholic content beer* as beer which contains more than five percent of alcohol by weight, but not more than twelve percent of alcohol by weight. It also created Class "AA" and Special Class "AA" permits, which allow the holders to manufacture and/or sell high alcoholic content beer.
- Changed Iowa wine laws from reciprocity to direct shipment. Wine manufacturers may now ship product directly to Iowa consumers for personal use. Wineries are subject to obtaining an Iowa license and remitting wine gallonage taxes to the state.

About / The Division / Historical Highlights

Commerce Division of Liquor Control

## TYPES OF PERMITS

Manufacturer

| Permit Class | Permit Fee | Description |
|---|---|---|
| A1 | $3,906 | ORC 4303.02 Manufacturer of beer, ale, stout and other malt liquors. |
| A1A | $3,906 | ORC 4303.021 Beer, and any intoxicating liquor by the glass or container on A-1 or A-2 permit premises only until 2:30am. |
| A2 | $76 | ORC 4303.03 Manufacturer of wine. |
| A3 | $3,906 | ORC 4303.04 Manufacture, import and sell alcohol and spirituous liquor |
| A3A | $3,906 | ORC 4303.041 Manufacturer of less than 10,000 gallons of spirituous liquor and sale to a personal consumer. |
| A4 | $3,906 | ORC 4303.05 Manufacture and sell certain prepared and bottled drinks, import for blended purposes |
| B2A | $25 | ORC 4303.07 Sale of wine to retail permit holder. |
| S | $25 | ORC 4303.232 Sale of wine to personal consumer via mail order. |
| W | $1,563 | ORC 4303.231 To operate a warehouse for the storage of beer or intoxicating liquor within the state and to sell such products from the warehouse to a B permit holder with Consent to Import on file or to other customers outside this state. |

Distributor

| Permit Class | Permit Fee | Description |
|---|---|---|
| B1 | $3,125 | ORC 4303.06 Distributor of beer, ale, stout, other malt liquor. |
| B2 | $500 | ORC 4303.07 Distributor of bottled wine. |
| B3 | $124 | ORC 4303.08 Distributor of sacramental wine. |
| B4 | $500 | ORC 4303.09 Distributor of mixed beverages. |
| B5 | $1,563 | ORC 4303.10 Distributor and importer and bottler of wine. |

Retail Store Carryout

| Permit Class | Permit Fee | Description |
|---|---|---|
| C1 | $252 | ORC 4303.11 Beer only in original sealed container for carry out only. |



12-37

| | | |
|---|---|---|
| C2 | $376 | ORC 4303.12 Wine and mixed beverages in sealed containers for carry out. |
| C2X | $252 | ORC 4303.121 Beer in original sealed containers for carry out. |
| D8 | $500 | ORC 4303.184 Sale of tasting samples of beer, wine, and mixed beverages, but not spirituous liquor, at retail, for consumption on premises. |

Restaurant / Night Club

| Permit Class | Permit Fee | Description |
|---|---|---|
| D1 | $376 | ORC 4303.13 Beer only for on premises consumption or in sealed containers for carry out. |
| D2 | $564 | ORC 4303.14 Wine and mixed beverages for on premises consumption or in sealed containers for carryout. |
| D2X | $376 | ORC 4303.141 Beer only for on premises consumption or in sealed containers. |
| D3 | $750 | ORC 4303.15 Spirituous liquor for on premises consumption only until 1:00am. |
| D3X | $300 | ORC 4303.151 Wine only for on premises consumption only until 1:00am. |
| D3A | $938 | ORC 4303.16 Extend issued permit privileges until 2:30am. |
| D5 | $2,344 | ORC 4303.18 Spirituous liquor for on premises consumption only, beer, wine and mixed beverages for on premises, or off premises in original sealed containers, until 2:30am. |
| D5I | $2,344 | ORC 4303.181 (Same as D5). Restaurant meeting certain criteria. |
| D7 | $469 | ORC 4303.183 (Same as D5). RESORT area only. |

Club

| Permit Class | Permit Fee | Description |
|---|---|---|
| D4 | $469 | ORC 4303.17 Beer and any intoxicating liquor to members only, for on premises consumption only until 1:00am. |
| D4A | $750 | ORC 4303.171 Airline club only - Beer and any intoxicating to members and guests until 2:00am. |
| D5C | $1,563 | ORC 4303.181 (Same as D5.)(This class can no longer be applied for.) |
| D5D | $2,344 | ORC 4303.181 (Same as D5) located at airport. |

Hotel And Motel

| Permit Class | Permit Fee | Description |
|---|---|---|

| | | |
|---|---|---|
| D5A | $2,344 | ORC 4303.181 (Same as D5) for hotel or motel with 50 or more rooms for transient guests. |

Enclosed Shopping Mall

| Permit Class | Permit Fee | Description |
|---|---|---|
| D5B | $2,344 | ORC 4303.181 (Same as D5) for enclosed shopping mall. |

River Boats

| Permit Class | Permit Fee | Description |
|---|---|---|
| D5E | $1,219 | ORC 4303.181 (Same as D5). Historical river boat owned by charitable organization only. |

Marinas

| Permit Class | Permit Fee | Description |
|---|---|---|
| D5F | $2,344 | ORC 4303.181 (Same as D5). Marina restaurant only. |

Museums

| Permit Class | Permit Fee | Description |
|---|---|---|
| D5G | $1,875 | ORC 4303.181 (Same as D5 – except sales till one am). National sports museum only. |
| D5H | $1,875 | ORC 4303.181 (Same as D5 – except sales till one am). Fine arts museum only. |

Community Entertainment District/Revitalization

| Permit Class | Permit Fee | Description |
|---|---|---|
| D5J | $2,344 | ORC 4303.181 (Same as D5). Community entertainment district. |
| D5L | $2,344 | ORC 4303.181 (Same as D5 – except sales till one am). Retail food establishment or food service operation meeting certain criteria. |

Sunday Sales

| Permit Class | Permit Fee | Description |
|---|---|---|
| D6 | $400-c<br>$500-d | ORC 4303.182 Sale of intoxicating liquor on Sunday between the hours 10:00am or 11:00am and midnight. |



12-39

Other

| Permit Class | Permit Fee | Description |
|---|---|---|
| D5K | $1,875 | ORC 4303.181 (Same as D5 – except sales till one am). Certain non profit organizations that own and operate a botanical garden. |
| D5M | $2,344 | ORC 4303.181 (Same as D5). Restaurant affiliated with center for the preservation of wild animals. |
| D5N | $20,000.00 | ORC 4303.181(N) (Same as D5). Casino Operator or Casino Management Company. |
| D5O | $2344.00 | ORC 4303.181(O) (Same as D5). Restaurant located in a casino. |
| E | $500 | ORC 4303.19 Railroad car or airline to sell beer or any intoxicating liquor at retail in glass or from container for consumption in such car or aircraft. |
| G | $100 | ORC 4303.21 Retail drug store (alcohol for medicinal, industrial, mechanical, chemical, or scientific purposes). |
| H | $300 | ORC 4303.22 PUCO motor carrier to transport beer, intoxicating liquor and alcohol, also to railroad. |
| I | $200 | ORC 4303.23 Wholesale druggist (purchase - import alcohol for sale at wholesale and retail). |

Temporary Permits

| Permit Class | Permit Fee | Description |
|---|---|---|
| F | $40 | ORC 4303.20 Valid for beer only until 1:00am. (Temporary - 5 days). |
| F1 | $250 | ORC 4303.201 Temporary "Special Function" permit (3 days) (allows B.Y.O.B. by a nonprofit organization at Municipal Convention Center). |
| F2 | $150 | ORC 4303.202 Temporary permit (48 hours) beer and any intoxicating liquor by glass or container on premises only until 1:00am. |
| F3 | $300 | ORC 4303.203 Alcohol Beverage Industry Education. |
| F4 | $60 | ORC 4303.204 Certain non profit organizations for an event that includes the introduction, showcasing or promotion of wines produced in Ohio; to furnish at no charge 2 oz. samples and sale for on premises consumption and carry out of wine from participating A2 permit holders. The fee is $60 (per day). |
| F5 | $180 | ORC 4303.205 Beer and Intoxicating liquor issued to a Riverboat at a festival sponsored by a nonprofit organization (6 days - one per calendar year). |
| F6 | $50 | ORC 4303.206 Sale of wine by a 501(c)(3) nonprofit organization (72 consecutive hours - 6 per year). |
| | | ORC 4303.207 Beer, wine, mixed beverages, and spirituous liquor issued to a |



12-40

| | | |
|---|---|---|
| F7 | $450 | nonprofit organization at a "qualified golf event", meeting certain criteria until 1AM. (8 days - two(2) per calendar year). |
| F8 | $1700 | ORC 4303.208 Temporary permit to a not-for-profit organization for sales on publicly owned property located in Hamilton County only. |

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(13)

Senate Federal and State Affairs
Frances Wood,
3342 SW Chelsea Circle,
Topeka, KS 66614-3936
Phone 785-271-9320
e-mail franwood@cox.net

A few years ago the Pinto, a car manufactured by Ford Motor Co. was cited as being responsible for several deaths nationwide. More recently, Toyota has had a number of their vehicles recalled because of suspicion of causing deaths. Suppose last year a certain model of car was responsible for 124 deaths and nearly 2000 injuries in the state of Kansas alone, not nationwide. Wouldn't we be clearing the road of that model of car? I don't think we would see that company adding 15,000 more sales men and women. Well, that is what this bill is asking us to do – increase consumption of a product that was responsible for 124 deaths and 1, 927 injuries in the state of Kansas for 2009 (the latest reports we have.)

The proponents are saying that it will not increase consumption yet create 15,000 more jobs. That is fuzzy math. Along with traffic fatalities are the issues of domestic violence and health concerns that come with increased consumption.

Those who want this bill say it is necessary because people go to Missouri to buy their alcohol. Even if true, this bill affects the whole state – not just the border towns.

How much harder do you think it is going to be to check underage buyers of alcohol at the grocery store? At least, when they go into the liquor store, their only purpose is to buy alcohol and the surveillance is greater.

There are some people who find going into a liquor store a bit intimidating. This would not be the case in putting a bottle in the bottom of their grocery cart.

Sometimes when I go to the grocery store, I pick up some items that I did not start out to buy. I do it just because it is on sale or looks good or some other impulse buying. I also do it because it is available and I don't have to go somewhere else to buy it. That is why I believe consumption will increase. People will find it handy to pick up that bottle of liquor.

I strongly urge you to Vote No in committee on Senate Bill #54. Thank you for consideration of these reasons.

14)

# KANSANS FOR ADDICTION PREVENTION

P.O. Box 16774, Wichita, Kansas 67216
Phone 316-681-0122

**SUBJECT: Senate Bill 54**

There has been significant erosion of controls of alcohol over the past few years. There has also been a major jump in the number of alcohol related traffic fatalities. Alcohol is the number one drug problem in America. You have expanded access which always increases consumption. Senate Bill 54 however is not just an erosion of control; it is a radical shift in policy. This bill must be defeated.

**PREVENTION**: is our primary focus, and a proliferation of places that sell alcohol would mean that more people would drink. Prevention of access by youth means that fewer persons will become addicted to alcohol. Numerous studies throughout the world have linked expanded number of sales outlets lower grocery store prices, and/or expanded hours to increased consumption and the resulting harmful effects. In Great Britain, the sale of reduced price alcohol in grocery stores is blamed for a dramatic increase in harm done by alcohol. Alcohol takes a terrible economic toll in America. Each one of us spends $652 to support the **economic loss** due to alcohol use and abuse. I resent the fact that the infrastructure of our state requires me to pay out the $652 although I am among the 40% of Kansans who totally abstain from alcohol.

**ENFORCEMENT:** Under this bill, enforcement would need to be quadrupled. It needs to be vastly increased because you would be adding two to three thousand outlets for stronger alcohol. Would a large national corporation train their staff to the same standard that liquor stores now maintain? I have ridden with ABC officers, and in my opinion it would be very difficult to monitor underage purchases at a grocery store or convenience store when compared to a current liquor store.

In order to fund the vastly increased enforcement effort needed, it would be important to raise the tax on alcohol significantly. KAP has already proposed tax increases on alcohol in order to solve some of our budget problems, but much more funding would be needed under this bill for the expanded enforcement efforts.

The penalties, enforcement, and sales associate age to prevent sales to minors need to be level. If an infraction would close a liquor store, an equal infraction should close an entire grocery or convenience store. Does "free market" mean the right of mega corporations to have special privileges so they can run small enterprises out of business?

Garry Winget, KAP President

February 2, 2011

The following article is a re-print on an article sent out in one of our informational bulletins, but it provides specific research on the issue in this bill.

Adolescents who live within walking distance of a liquor store or other alcohol outlet are more likely to engage in binge drinking or drive drunk, according to researchers from the Pardee RAND Graduate School in Santa Monica, Calif.

The Los Angeles Times reported that drinking rates were higher among 12- to 17-year-olds who lived within a half-mile of an alcohol outlet, and that minority neighborhoods tended to have a higher density of alcohol outlets than predominantly white communities.

(How do alcohol outlets affect communities?)

"Our study suggests that living in close proximity to alcohol outlets is a risk factor for youth," according to the researchers. "In California, retail licenses are not typically approved within 100 feet of a residence or within 600 feet of schools, public playgrounds and nonprofit youth facilities, but proximity by itself is not sufficient to deny a license ... More attention on the proximity rule is needed and environmental interventions need to curb opportunities for youth to get alcohol from commercial sources."

The research was published online ahead of publication in the American Journal of Public Health.

(15)

FEBRUARY 15, 2011

DEAR COMMITTEE MEN AND WOMEN,

MY WIFE AND I OWN TWO LIQUOR STORES. ONE IS LOCATED IN MIAMI COUNTY, IN PAOLA. IT WAS OPENED LESS THAN A YEAR AGO. OUR SECOND LOCATION IS IN JOHNSON COUNTY, IN GARDNER. WE WILL BE FORCED TO CLOSE BOTH STORES IF SENATE BILL 54 PASSES. THERE ARE SEVERAL CORPORATE STORES IN BOTH TOWNS THAT WILL SELL LIQUOR FOR ONE TO FIVE CENTS OVER COST. NOT TO MENTION THAT I WILL BE UNEMPLOYED AND UNABLE TO SEND MY CHILDREN THAT ARE 7 & 11 TO COLLEGE. IF THIS BILL IS PASSED THEY WILL PROBABLY BE FORCED TO GO TO WORK WHEN THEY GRADUATE FROM HIGH SCHOOL AT A CORPORATE STORE AND WORK FOR MINIMUM WAGE THE REST OF THEIR LIFE.

THERE WILL BE A LOT OF SALES TAX THAT KANSAS WILL NOT BE RECEIVING SELLING LIQUOR AT SUCH A LOW COST. THAT IS WHAT IS HAPPENING IN MISSOURI RIGHT NOW. APPROXIMATELY 90% OF OUR PROFIT AND WAGES FROM 750 STORES MORE OR LESS STAYS IN KANSAS. PROFIT FROM THE CORPORATE STORES WILL BE SENT OUT OF STATE.

I WOULD LIKE TO KNOW HOW MUCH DID YOU, THE SENATORS, RECEIVE FROM CORPORATIONS IN CAMPAIGN FUNDS? SOME OF YOU I HAVE SPOKEN WITH, AT FIRST SAID NONE THEN MAYBE JUST A LITTLE, BUT CAN'T RECALL. I CALL THIS GREASING THE PALM.

SHOULD THIS BILL PASS IT WILL MAKE ACQUIRING LIQUOR FOR YOUTHS EASIER TO PURCHASE AND AN INCLINE IN YOUTH TRAFFIC AND ALCOHOL DEATHS. WITH THE WAY MISSOURI HANDLES THEIR LIQUOR LAWS, ALCOHOL RELATED DEATHS ARE WAY MORE IN MISSOURI THAN IN KANSAS. KANSAS YOUTHS SELLING ALCOHOL 18 YEARS OLD WILL SELL ALCOHOL TO THEIR FRIENDS. YOU ALL KNOW! YOU WERE KIDS AT ONE TIME.

I RECOMMEND YOU COMMITTEE MEN AND WOMEN RESEARCH THIS BILL DEEPLY BEFORE VOTING FOR SEATE BILL 54 AND SENDING IT TO THE FLOOR TO BE MADE AS A BILL. JOBS ARE GREAT BUT YOU CAN'T PUT A DOLLAR AMOUNT ON THE DEATHS THAT WILL OCCUR IF YOU PASS SENATE BILL 54.

THE WAY KANSAS HAS HANDLED THE SALE OF LIQUOR THE P AST 10 YEARS HAS BEEN SUFFICIENT.

THANK YOU.

DAN HECKE

913-208-4862/HECKE4@HOTMAIL.COM

Sn Fed & State
Attatchment 15
2-16-11

(16)

Kansas Family Policy Council
2250 N. Rock Road
Wichita, Ks. 67226, Suite 118 #250.
Donna Lippoldt - Director - 316-516-0777

Testimony in Opposition to Senate Bill 54

In Kansas we have struck the fair balance by not selling hard liquor in our grocery stores and convenience stores. If an adult wanted hard liquor they have gone to a liquor store.

According to an article in The Wichita Eagle, "Last year, the state's income from alcohol taxes, permit fees and fines amounted to nearly $227 million."

I would like to ask you a question. Are our children more important than increasing the state coffers from the sale of hard liquor?

A new organization made up of Walmart, Dillions/Kroger, Quik Trip, KwikShop, Hy-vee, Hen House/Price Chopper, and Casey's General Store under the name "**Coalition for Jobs and Consumer Choice**" is once again presenting the argument that they should be able to sell hard liquor. *At what expense? Increased drunk drivers?* I met with an employee of Mothers Against Drunk Drivers (MADD) in Colorado this week. She assured me that these corporations are targeting several states including Colorado and South Dakota. MADD opposes the bill because they are concerned that grocery stores and convenience stores that employ many young people who are under 18 or 21 years of age would not be willing or able to ensure that every liquor transaction was conducted according to the law, and thus, put their underage employees in compromising positions. How could the State of Kansas ensure underage employees are protected?

Not my point, but as a citizen of Kansas, I can't imagine why you would want large corporations like Kroger, Hy-Vee, Quik Trip, Kwik Shop etc. to make a profit rather than the 766 liquor stores in Kansas, many of whom are family businesses. Researchers at Kansas University have said that 341 of the Kansas liquor stores would go out of business if this Bill became law. This Bill would take these 766 locations where liquor is currently sold and increase them to over 7,000 locations. Do we want greater liquor distribution and consumption? Big-box liquor stores? Imagine billboards, television commercials with liquor ads for stores that are frequented by young adults? I think not.

Do we really want Mom to go to the store to buy milk, bread and gin?

1. First and foremost this will only increase access of hard liquor to minors.

2. This can only result in increased alcoholism among minors in our state.

3. This can only result in increased juvenile crime.

4. The state has always had a bright line between the distribution and regulation of malt beverages and wine and hard liquor; and for good reason.

5. The state in its regulation of alcohol has struck a fair balance and there is no need to change it now.

We have hundreds of transformed alcoholics in Kansas. How many DUI's have been issued in Kansas. Some previous criminals that were in prison for theft, rape, and a myriad of other crimes related to alcohol would have easy access to a substance that they try to avoid.

Please consider the young Mom of toddlers that used to have a drinking problem while in college. Now with her toddlers, she doesn't go to bars; she doesn't even walk into a liquor store. Now, as she goes to the grocery store a couple of times a week, she is confronted with a former temptation.

Do we really want more deaths on the roads of Kansas due to alcohol. I just returned from Texas where I accompanied family friends to a funeral home. On August 1st, their son, daughter-in-law, and both grandchildren were killed while driving their hummer and were hit by a drunk driver driving the wrong way on a four lane road. We went back to the place of the accident to meet with the people who took care of their charred bodies, and meet the wife and mother of the drunk driver. Our friends went there to extend the arm of compassion and forgiveness. Amazing restoration happened as the wife is now left with two small sons 18 months and 5 years old. This needless loss of life is only one personal example of the downside of Senate Bill 54.

Kansas Family Policy Council would ask you to please say NO to Senate Bill 54.

17

January 30, 2011

Dear Legislator,

My name is Tom Barlett and my wife is Kara Barlett. We operate a small business in Edgerton, Kansas called Wolf Liquor. We have a mortgage, property taxes, and 5 employees in relation to our store. We are very concerned about senate bill 54. We are a rural free standing liquor store that has been at this location since the 1950's. We are one block from the only convenience store in Edgerton. I cannot see how this bill is going to help the state of Kansas, small business, or the consumers.

Dr. Hall's presentation talks about higher wages. We have an employee who works at Casey's in the next town and we pay her $1.00 more per hour than Casey's does. Dr. Hall estimates 341 liquor stores in Kansas will close if senate bill 54 passes. That's 341 small businesses that are not owned by corporations or chains. That's 341 entrepreneurs who pay their property, employment, and enforcement taxes. That's 341 hard working Kansans who have stuck their necks out. This is their livelihood, retirement, college fund for their kids, etc. That's 341 small businesses that have abided by ABC regulations and Kansas laws for many years. That's 341 small business owners that have borrowed money, signed leases, etc. to start and operate their business. That's 341 small business owners that live in Kansas, spend their money in Kansas, vote in Kansas, that are part of their communities and know their customers. That's 341 families that will lose their business *and* their employees will also lose their jobs. That's 341 liquor stores that will not be able to support the small distilleries and wineries in Kansas any more. The large chain stores will not carry the variety of products that the liquor stores offer. They will only carry and sell high volume national brands. This will put more small businesses at risk.

Walmart, Hy-Vee, Dillon's, Quick Trip, Casey's, etc want the rules changed to their advantage. They are not interested in "Tag-Teaming", as Dr. Hall calls it, or buying our liquor licenses. Liquor stores and convenience stores are built based on demographics and traffic count, not by changing ABC regulations.

You hold 341 Kansas small businesses in your hand.

Sincerely,
Tom Barlett
Wolf Liquor
tbarlett@embarqmail.com

Sn Fed & State
Attachment 17
2-16-11

(18)

L KAS
LIQUOR
SUPER STORE
The Midwest's Largest Merchant of Fine Wines, Spirits, & Malt Beverages

February 10, 2011

Senator Pete Brungardt, Chair
And Members of the Senate Committee on Federal and State Affairs

*In re SB 54 - Creating classes of licenses to sell alcoholic beverages at retail; fees, term and eligibility.*

Dear Chairman Brungardt and Members of the Committee:

Earlier this year a coalition of the largest grocers in the United States, joined by the convenience store association held a press conference in the state capitol to outline their latest proposal to dismantle the state's liquor laws. The premise of their proposal was supported by a study they commissioned performed by Art Hall of the Center for Applied Economics at the University of Kansas. Dr. Hall advocates for a totally free market system for the sale of all alcoholic beverages.

As the largest retailer in the state of Kansas with twenty-five years of experience in the liquor industry, I have some perspective as to what the proponents of this legislation are asking the Legislature for permission to do. I first became a retailer in Kansas 1987 and moved my store to its current location approximately two blocks west of the intersection of 119th Street and Metcalf in Overland Park in 1995. My store is called Lukas Liquor Super Store. I expanded my store at that same location in 2000 when additional space became available and now employ nearly 50 people with good paying jobs and benefits.

Some of the proponents of this legislation have suggested I would not be impacted by its passage, as I am a large retailer and can hold my own against competition. Maybe yes, maybe no; that is hard to predict. While I may be a large liquor retailer when compared to others in Kansas, there is simply no way I can compete financially against corporate giants such as Wal-Mart and Sam's, Hy-Vee or Quik Trip when they decide they want market share and are willing to spend money to get it.

The State of Kansas has carefully created a three tier regulatory framework for the alcohol industry – manufacturer, wholesaler and retailer – a regulatory system that insures protection of the public interest with severe consequences for any licensee who violates Federal and state laws. The only product a retailer can sell, other than lottery tickets, are liquor products. As a result of this restriction, a licensee understands if they run afoul of Federal or state laws, they are out of business. When the Alcoholic Beverage Control (ABC), through the regulatory enforcement process closes down a retailer even for a period of days, the retailer has no income and may never recover lost clientele or business. Conversely, under the proposed regulatory scheme outlined in SB 54, if a retailer, such as a grocery store is found to be in violation of Kansas liquor laws, at worst, they may be restricted from selling liquor products for a period of time, but the grocery store's register continues to ring for non-alcoholic products.

The State of Kansas doesn't restrict the number of liquor licenses in our state, but it does have a vested interest in controlling who can obtain one. The State has made a determination they do not want their licensees hiding ownership under corporate veils, multiple store ownership or complex business structures. The State demands to know who owns the store and who is working there to help insure that a highly-regulated product is sold in a manner prescribed by Federal and State laws.



Sn Fed & State
Attatchment 18
2-16-11

Who will the State hold responsible for violations of liquor laws at a corporate-owned, Fortune 500 Company? I assure you no one from Bentonville, Arkansas will be coming to Topeka to answer for a liquor violation at a Wal-Mart or Sam's Club. Under current law, when a store is cited for a liquor violation, you can bet the store owner will be responding to the complaint from ABC.

I live in Kansas as do most of my employees. We make money in Kansas and spend it here, too. I find it incredible that companies like Wal-Mart and Sam's, Dillon's, Hy-Vee, Quick Trip and other major retailers based outside of our state would ask the Kansas Legislature to pass legislation that would, by their own study, result in the closure of more than half of the retail liquor stores in Kansas after their bill is fully implemented. I would find it disappointing if the Legislature actually took them up on their proposal. Their suggestion that a freeze in licenses for three years would allow the smaller or weaker liquor stores to sell their licenses to the grocers and convenience stores who want to sell liquor and make huge profits is flawed, at best. While some current retailers may be able to sell their license, it is difficult to predict what a license could sell for. And regardless of what they receive, I cannot imagine it would be much more than a few thousand dollars. Certainly not enough to retire on or perhaps cover the cost of closing out a business, paying off an existing lease or worse yet, having to decide what to do with a store a retailer owns, but can no longer be used as a liquor store (because the license is sold and no others are available). Under SB 54, after three years, all markets and licenses will be open, making any meaningful ability to profit significantly from the sale of a liquor store license a diminishing opportunity, at best.

The proponents of this legislation suggest the only thing rural grocers need in order to remain in business is to be granted the ability to sell liquor products. The Art Hall study indicates 82 grocery stores have closed down in rural Kansas since 2006. If you ask the owners of those stores why they closed their doors, I doubt any of them would say it was because they couldn't sell strong beer, wine or spirits, but rather because they could not compete against the proponents of this legislation. If SB 54 is passed, they still won't be able to compete against the big box grocers, more stores will close and those already out of business will not reopen.

In closing, I cannot ignore the irony that at the same time the Legislature is considering a bill to effectively triple the number of liquor retailers in the state, the Legislature is also considering a bill to dramatically increase the penalties for driving under the influence of alcohol in legislation being considered after two years of study (SB 7). This contradiction is simply amazing to me, but perhaps that is prevalent the legislative process.

Thank you for your consideration of my comments. If you would like to visit with me about this, feel free to call me at the store at (913) 451-8030, extension 103 or my cell phone at (913) 558-7559.

Sincerely,

Harold G. Lukas

Harold G. Lukas, Owner
Lukas Liquor Superstore

19

Kansas Families Against Liberal Liquor Laws

P. O. Box 2326, Topeka, Kansas 66601

Dear Chairman Brungardt and Members of the Committee:

Thank you for the opportunity to submit this written testimony in opposition to Senate Bill 54.

I am Pam Fair, representing Kansas Families Against Liberal Liquor Laws, a group of Kansas families who have come together in opposition to any changes in state law that would increase the access and availability of liquor to Kansas children and families.

Numerous studies have shown that with increased access and density of liquor come greater social problems – teenage drinking, DUIs, addiction and violence.

I have attached to my testimony findings from various studies done on alcohol density and public health, compiled by the Marin Institute. Just a brief glimpse of this information paints a disturbing picture.

- Alcohol density is the single greatest predictor of violent crimes in neighborhoods, greater than other social and economic factors. One study found that reducing violent crime by one percent could be achieved by reducing alcohol outlet density by less than one percent.
- Adolescent binge drinking and driving after drinking have been significantly associated with the presence of alcohol retailers within a half mile of one's home.
- Youth who live in neighborhoods with higher alcohol outlet densities have greater access to alcohol from direct purchase.
- Suicide rates among boys between 15 and 19 years old have been shown to increase by up to 12 percent when outlet density increases.

Furthermore, according to the International Institute for Alcohol Awareness, underage drinking cost the state of Kansas a staggering $646 million in 2005 alone. These costs include medical care, work loss, and pain and suffering associated with alcohol related problems. Youth violence and traffic crashes attributable to alcohol use by underage youth represented the largest costs for the State.

*Can we afford for these numbers to increase with greater outlet density and access to liquor?*

I am not an economist, so I will not attempt to persuade you with economic statistics. While the economic impact of this legislation seems open for debate, there is no denying the devastating social impact this legislation would have on Kansas. The evidence is incontrovertible. There may be winners and losers economically, but increasing access and density of liquor will only lead to a lost quality of life for children and families.

On behalf of the thousands of Kansas families concerned about the well-being of our children, I respectfully ask you to not lose sight of the tremendous public price of this legislation and vote no on Senate Bill 54.

Thank you.

Pam Fair

Sn Fed & State
Attachment 19
2-16-11

# Alcohol Outlet Density and Public Health

Marin Institute
ALCOHOL INDUSTRY WATCHDOG

Alcohol outlets are places where alcohol is sold, either to drink on the premises (on-sale outlets) or off the property (off-sale outlets). Alcohol outlet density indicates the number of physical locations where alcohol is sold per population or geographic area[1] such as a square mile, census tract, or city block. Alcohol outlet density is often regulated at the local level through zoning and business licensing.[2] State alcohol control agencies can also stipulate density levels. Numerous studies have shown that alcohol outlet density is significantly related to the level of alcohol harm that neighborhoods experience, particularly violence.

## Outlet Density and Alcohol-Related Harm

- Increasing outlet density makes it easier for drinkers to obtain alcohol. High levels of outlet density also can influence how drinkers congregate, making them more aggressive or encouraging others to drink.[3]
- When outlet density increases, alcohol consumption increases, and vice versa. A study examining 16 years' worth of data in Canada found that reducing off-premise density was significantly associated with a decrease in alcohol consumption.[4]
- Alcohol outlet density is the single greatest predictor of violent crime in neighborhoods, greater than other social and economic factors.[5,6] One study found that reducing violent crime by one percent could be achieved by reducing alcohol outlet density by less than one percent.[7]
- Cirrhosis deaths, suicide, and assaults all increase when alcohol outlet density increases.[8]
- A 10 percent increase in off-premise alcohol outlets per square mile has been found to account for a 5.8 percent increase in gonorrhea rates.[9]
- Suicide rates among boys between 15 and 19 years old have been shown to increase by up to 12 percent when outlet density increases.[10]
- Areas with more retail alcohol outlets have been found to have higher rates of child abuse. Areas with more bars have been found to have higher rates of child neglect.[11]
- In California, eliminating one bar per zip code would lead to 290 fewer assaults per year.[12]

## Outlet Density, Communities of Color, and Economic Development

- Higher alcohol outlet densities, and related higher rates of alcohol-related problems, are disproportionately concentrated in low-income racial or ethnic minority communities.[13]
- Because neighborhoods with high crime rates are unattractive to other types of businesses, a downward spiral occurs where more alcohol retailers move in and the outlet density and related problems continue to increase.[14]

continued on page 2



19-2

## Outlet Density and Underage Drinking

- Adolescent binge drinking and driving after drinking have been significantly associated with the presence of alcohol retailers within half a mile of one's home.[15]
- Youth who live in neighborhoods with higher alcohol outlet densities have greater access to alcohol from direct purchase; underage acquaintances; "shoulder tapping" an adult stranger and asking him or her to buy alcohol on the minor's behalf; and from home and family members.[16]
- Alcohol retailers are more likely to sell alcohol to minors if other alcohol outlets are nearby.[17]
- Hispanic youth who live farther from alcohol retailers are less likely to drink. Decreasing the distance to retailers is significantly associated with an increase in alcohol consumption, even when controlling for social and environmental factors.[18]

**Bottom Line:** The following bodies have recommended alcohol outlet density control as an effective tool for minimizing alcohol-related harm: World Health Organization, European Union, United States Surgeon General's Workshop on Drunk Driving, and Centers for Disease Control and Prevention's Task Force on Community Preventive Services.[19, 20, 21] The scientific evidence is overwhelming: Reducing the number of alcohol outlets is an effective tool to reduce alcohol-related harm.

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19-3

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19-4

(20)

Marin Institute
ALCOHOL INDUSTRY WATCHDOG

February 7, 2011

Senator Pete Brungardt
Chairman, Senate Committee on Federal & State Affairs
Kansas Statehouse, Room: 136-E
Topeka, Kansas 66612

**Re: Marin Institute Opposition to Kansas Senate Bill 54**

Dear Chairman Brungardt:

Founded in 1987, Marin Institute is a nonprofit organization whose mission is to protect the public from alcohol-related harm. We advance policies to reduce over-consumption and monitor alcohol industry practices that undermine public health and safety. Given this background, Marin Institute is uniquely qualified to comment on the legal issues concerning state alcohol regulation and to help ensure that any changes to the oversight of alcohol are made in the interest of public health and safety.

Marin Institute strongly opposes Senate Bill 54 (SB 54) due to concern over the increase in alcohol availability in Kansas that will inevitably result. The scientific literature is abundantly clear that the more access people (especially youth) have to alcohol, the greater the number of problems communities will suffer.

In addition to the individual challenges of alcohol dependence and addiction, broader societal problems include drunk driving, increased health care costs, violent crime, and child abuse and neglect, just to name a few.[1] The present structure regulating alcohol in Kansas protects the public. Loosening licensing requirements in the pursuit of theoretical job creation and consumer convenience is shortsighted and comes at the expense of both the public coffers and public health. In the long term, any alleged benefits will only be offset by increased financial and societal costs associated with unwarranted alcohol consumption both by youth and adults.

With looming budget deficits[2] and unemployment near seven percent,[3] it is only prudent that Kansas explore avenues that may provide economic relief for its citizens. Unfortunately, SB 54 is far from the silver bullet that its proponents claim it to be. Without a tax increase on alcoholic beverages, the only way for tax revenues to rise is for more alcohol to be sold. Increasing the number of retail licenses, lower prices, and questionable marketing practices will likely follow if consumption is to be increased.

Moreover, arguments suggesting that SB 54 will create new jobs are spurious at best. The only way SB 54 will create more jobs is if more alcohol is sold. What follows is a familiar pattern of lowered prices and increased availability, all of which will contribute negatively to health and safety of the people of Kansas. Moreover, SB 54 will likely do nothing with regard to employment other than reshuffle the deck such that big-box retailers, with their economies of scale, can out-compete in-state local retailers. While discussions about efficiency and innovation have their place, alcohol is no ordinary commodity and to treat it as such ignores our nation's troubled history with it.

Finally, the contention that SB 54 is about consumer convenience and will improve access to food is dubious at best. While improving access to healthy food is of importance to everyone, claiming that SB 54 about food access is shameless spin: the bill is "an act concerning alcoholic beverages." In reality, SB 54 directly seeks to expand where alcohol can be sold, so let's at least be honest about that. Because increased availability of alcohol directly correlates strongly with more harm, Marin Institute strongly opposes any measure that increases the number of outlets where alcohol can be sold.

To ensure the health and safety of its residents, the Kansas legislature must reject SB 54. Increasing availability of alcohol for short term economic gains will result in increased financial and societal costs to due to increased alcohol consumption.

Thank you for your attention to this matter.

Sincerely,

(sent via email)

Michele Simon
Research and Policy Director
Marin Institute
San Rafael, California

[1] http://www.cdc.gov/alcohol/quickstats/general_info.htm
[2] http://budget.ks.gov/publications/FY2012/Governors_Budget_Testimony_1-13-2011.pdf
[3] http://data.bls.gov/pdq/SurveyOutputServlet?data_tool=latest_numbers&series_id=LASST20000003

**Public Action Management, PLC**

Campaign for a Healthy Alcohol Marketplace

PAM

## Senate Bill 54
## Senate Federal & State Affairs Committee

*February 16, 2011*

*Pamela S. Erickson, CEO, Public Action Management*

I gave this report by Dr. Arthur P. Hall a quick analysis and do not recommend that anyone base decisions on its conclusions.

As I understand it, this is what the author did. First, he selected 10 Midwest states and classified them as "restricted" or "unrestricted". Then, he calculated the average number of grocery and convenience stores in the restricted v. the unrestricted states. This revealed a greater average number of grocery and convenience stores in the unrestricted states. Next, he assumed that if Kansas became an "unrestricted" state, it would have the same average number of stores. For Kansas this would mean 116 new grocery stores, 449 new convenience stores and 341 fewer liquor stores (most of which are very small). He then calculated the net number of jobs, pay, etc. and came up with a huge positive economic impact of over $200 million. This analysis is flawed and the projections very unrealistic.

Basing the entire analysis on 10 states' average number of grocery, convenience and liquor stores is simplistic at best. These states actually have very different alcohol regulations and cannot be so readily categorized as "restricted" or "unrestricted". In addition, social and economic factors impacting liquor sales are highly complicated. They are not <u>only</u> dependent on alcohol regulations. For example, sales are impacted by religion as some religious groups drink less, ethnic group as some ethnic groups drink less and age breakdowns since young people drink more. The population make-up of a given state impacts the level of drinking and alcohol sales. It would take a lot of effort to critique this report in detail but someone should do so before making decisions based on its conclusions.

However, here's the bottom line: It is unfathomable that 116 brand new grocery stores and 449 new convenience stores would pop up merely because Kansas deregulated. Kansas is not a state that has experienced substantial population or economic growth. It is below the national average in growth and ranks at the bottom in venture capital. So, where is the money going to come from to locate over 500 new stores? Who is going to lend money for such ventures in this extremely tight lending environment?

The grocery business has seen a lot of consolidation which often results in closing poorly performing stores or building a few very large stores to replace two or more nearby stores. If Kansas deregulated, current stores would certainly add more alcohol products to their shelves, but they probably wouldn't add many--if any--new employees. Likely they would replace 3.2% beer with full-strength products and find current shelf space for wine and liquor. There probably wouldn't be a lot of store additions and the change wouldn't likely need many more employees. It is also not likely that wages would increase just because the store is now selling a lot more alcohol products. Certainly, if the store is more profitable they can pay higher wages...but do people really think store owners will increase wages because they now sell alcohol?

CAMPAIGN FOR A Healthy Alcohol Marketplace

But, the real glaring error is to completely ignore the social consequences of selling a lot more alcohol. While deregulation would not likely reap the large economic benefits projected by this report, it would likely increase alcohol sales and tax revenue. But, that invariably comes with a social cost. The research in the alcohol field demonstrates that greater availability of alcohol increases social problems and puts a greater burden on law enforcement. Alcohol regulations purposefully restrict the number of stores and hours of sale for good reasons. Recently, the Centers for Disease Control published a series of Community Guides that recommend retaining these kinds of restrictions based on their review of credible research.

No public body should make any decisions about alcohol regulation based on this report

**Pamela S. Erickson, CEO**
*Public Action Management, PLC*

***Pamela Erickson is CEO of Public Action Management in Scottsdale, Arizona. Public Action Management provides expertise in the area of public policy. Ms. Erickson is former Executive Director of the Oregon Liquor Control Commission and worked with Oregon Partnership, an alcohol and drug abuse prevention organization. She can be reached at pam@pamaction.com***



21-2

Dear Senate Committee,

Thank you for giving me the opportunity to give you all the reasons I believe you should vote against the proposal SB 54. I have arguments based on the viewpoints of all Kansans and all liquor store owners.

The first viewpoint is from all Kansans. There are three things that would hurt Kansans if SB 54 were to be passed. **(1)** The study provided was done by someone who was paid by the proposed coalition. The numbers in the study done by the proponents failed to mention several key components. First of all, it is most likely Wal-Mart will make their liquor a lost leader (drop the price) and try to gain as much business as possible which will drive competition to price wars. This will drop the sale price, which will significantly lower the tax revenue received by the state. If my math is correct, the tax to the Department of Revenue would decrease by $20,000,000. **(2)** Another argument is that the profits gained by these corporations will be sent directly to their corporate headquarters. These headquarters for Wal-Mart, Hy-Vee, Kroeger, and Quicktrip are in Arkansas, Iowa, Ohio, and Oklahoma respectively. Currently the average liquor store shows a net profit of approximately 9%. This profit comes to a total of around $25,000,000 annually. Every liquor store owner in the state of Kansas is a resident, along with being a resident for at least 15 years of their life per the current state licensing requirement. That means that this money is spent in Kansas. **(3)** The final argument is most important to parents of Kansans. This bill has asked to allow 18 year old kids to be able to sell these beverages. There are hundreds of convenience stores across Kansas that employ one person at a time, and many times these are people under the age of 21. This would give access to more than just the employee but also their friends, many of which are still in high school.

The second view opposing SB 54 is from the viewpoint of all liquor store owner. I am asking you to oppose this issue because it would do more harm than just putting us out of business. Up until this bill was introduced, the average purchase price for a liquor store had a 7 year payoff. There are hundreds of liquor stores that have debt for at least 5 more years, and some that just opened in 2010 that still have almost 7 years left. Along with that debt, we all have leases with our property. These leases typically have a 5-year term. Mine for example, was just signed in 2010. So not only would we be out of business, we would be out far more than that. This would force many liquor store owners to file bankruptcy, foreclose on loans, and forfeit leases. This would have a huge domino effect. The value of the properties would go down because there would be hundreds of leases back on the market, subsequently property taxes would decrease. The banks that hold the loans would be stuck with notes, and those of us that have debt would be hurting all of our creditors even further with a bankruptcy.

In closing, I am asking you to vote against SB 54. Those of you sitting here have heard both sides and have most likely done the most research on this topic. The rest of the Senate probably does not know as much as you about this subject. So if you don't believe this bill would be good for Kansas please don't even let it out of the Fed and State Committee. This would be a very bad thing for all Kansans.

Thank you

Christian Walter
2745 Coneflower Ct
Lawrence, KS 66047

GREED VS. FAIRNESS

Senators:

My name is George Waters, and my wife and I own Glass House Liquor in Lawrence.

My testimony today is directed to the ethical questions of SB54. Specifically, is this bill serving the greed of already-mega rich corporations at the expense of individual citizens of this State, and is it fair to those who have invested, borrowed, and made commitments based on a set of rules by which they agreed to abide?

The proponents of this bill argue that its passing will create an economic boost to the State Treasury. The opponents (and I) argue the opposite. (For instance, new customers won't magically appear. The Coalition's customers will be our former customers, creating a wash in terms of new revenue.) Whatever the result to the State, one thing is certain: The effects on over seven hundred individual businesses, run by individual families like mine, will be devastating.

My wife and I will be forced to close our store, make no mistake. (And our store isn't even a small store.) Our four employees will be out of work. Our landlord will have an empty storefront. We will lose most, if not all, of the mid-six figure amount we paid for our store.

My son and his wife, owners of a retail liquor store in Olathe, will lose even more. Not only will they lose their store, and the income it provides, but also they will still be on the hook for their lease (longer than ours), and an SBA loan which still has four and a half years before it is retired. They and their two young children will certainly be forced into bankruptcy.

For what? So that the big corporations backing this bill can add another few cents to their dividends? So that the big brewers no longer have to brew 3.2 beer? So that our customers won't have to make another stop to purchase their alcoholic beverages?

I can assure you that if we had known that the Kansas Legislature would completely change the rules of licensure in this State, with virtually no warning, no period of adjustment, no concern for the welfare of current liquor store owner families, we would not have made the commitments we made.

Perhaps if we have another five years to come up with ways to save our stores, we may be able to survive, although probably not. This five year period, during which grocery stores, etc, would not be allowed to sell wine, would allow us to meet our commitments and avoid leaving bad debt and bad feelings all over the place.

Therefore, I urge you to either kill this bill now, or at least impose a five-year period before implementation.

Thank you for allowing me the opportunity to address you.

ROBERT DIERKS
SHERIFF

300 East Main
Independence, KS 67301
(620) 330-1000

TROY MAC...
UNDERSHERIFF

P.O. Box 1629
Coffeyville, KS 67337
(620) 251-1126

(24)

February 10, 2011

Senator Jeff King
State Capitol, Room 237-E
300 SW 10th Ave
Topeka, KS 66612

RE: Senate Bill 54

Dear Senator King:

I am writing in opposition of Senate Bill 54 which would permit the expansion of the sale of liquor to convenience stores, grocery stores, and pawn shops throughout Kansas. This passage of this bill would allow individuals under the legal drinking age to handle the sale of liquor and spirits, and make alcoholic beverages far more accessible to minors.

Studies show the following are directly related to alcohol availability and use:

- Alcohol availability is closely related to violent assaults, and communities and neighborhoods that have more bars and liquor stores per capita experience more assaults.
- In 2002, more than 70,000 students between the ages of 18 and 24 were victims of alcohol-related sexual assault in the U.S.
- In those violent incidents recorded by the police in which alcohol was a factor, about nine percent of the offenders and nearly 14 percent of the victims were under age 21.
- Twenty-eight percent of suicides by children ages nine to 15 were attributable to alcohol.

In addition to the above, more enforcing agents would be necessary to ensure these establishments are following the rules and regulations as set forth by the Kansas Department of Revenue's Division of Alcoholic Beverage Control.

Please consider the above facts and statistics when considering the passage of this bill.

Respectfully,

ROBERT DIERKS

Sn Fed & State
Attachment 24
2-16-11

(25)

# First Lutheran Church

1234 Fairlawn Road, Topeka, Kansas 66604 (785) 272-5302

*God calls us to share the love of Jesus Christ through the Word with all people and to help them grow spiritually to love, serve, and glorify God.*

February 15, 2011

Federal State Affairs Committee:

As pastor of a Christian congregation in the Topeka community, I want to encourage our state legislature representatives to carefully consider the changes being introduced into Kansas law through Kansas Senate Bill #54. Many business individuals have shared their concerns about the economic impact which the aforementioned bill might have on local communities in our state and upon our state budget, raising the substantial issue that the passing of such this bill may have an unintended (and perhaps unforeseen) negative impact. As a Kansas citizen, I would hope those concerns would be well examined before any vote would be taken.

My main concern as a minister, however, lies elsewhere. I am worried that the proliferation of access points for the sale of alcohol beverages will have a detrimental effect upon the young people of our community. Already, there are many instances of under aged youth purchasing (or attempting to purchase) alcohol in the locations which the state has authorized to operate. Making available who-knows-how-many-more outlets for such transactions to occur will, in my opinion, only amplify the frequency of illegal drinking on the part of teenagers and/or young adult. The potential results could include more alcohol related automobile accidents and teenage deaths. (I speak from experience on this, since under aged drinking contributed to the accidental car death of a teenager in my own congregation a number of years ago).

I hope and pray that our elected legislators will look at this bill not only from an economic standpoint but also from an ethical and youth-protection viewpoint. I don't believe that we in our state and local communities need to be doing anything which will increase the potential use of alcohol among our younger population. Kansas Senate Bill #54 definitely has that potential effect.

Thank you for your consideration of my thoughts and opinions. You will be in my personal prayers as you deliberate on this issue.

Sincerely,

Rev Elwyn J Luber

Rev. Elwyn J. Luber
Pastor, First Lutheran Church

(26)

SB54

2-16-'11

Good morning Chairman and members of the Senate Federal & State Affairs Committee;

My name is Lois-Ann Beal, I speak as a concerned citizen;

We have heard that SB54 Bill will help the employment status plus improve the economy. Will it really help or be a hinderance? Is it a fact or fallacy?There is a saying "If it is too good to be true- it is",so let's take a second look at it's ramifications, and call it like it is.

# 1- It is bad enough that beer and wine are available in family grocery stores let alone hard liquor that has it's consequences for all of us.

#2 - There are multitudes of gullible hurting people today who would be too easily enticed to pick up a bottle in a family grocery store where before they would'nt have that temptation.If he is honest he will be aware of the effects regardless of quanity . Since one drink leads to another, before long the person realizes things are getting worse instead of better at WORK, let alone increased problems at home to say the least. He finds his self short tempered, fatigued, lack of concentration ,self-control plus health problems arise and much more that is a detriment to his ability to hold a job. Before long hs is confronted by a voice that says'You're Fired" ! and finds his self Unemployed because he is unable to perform in a professional manner as expected. Liquor was uncontrolable and paid it's toll, he became it's victim, sorry to say.His life is in turmoil, devastrated physically, mentally and emotionally to say the least.

Have we lost all perspective of 'what is right and wrong? making evil look good? Seems the bottom line is: The end results are disastrous causing employment to spiral downwards There are enough complications already as we know that the unemployment funds. is short of money.

Be not deceived and Please oppose this Bill to prevent further unemployment and other dangers brought about from all alcoholic beverages. Thank you !

Lois-Ann Beal

(27)

Federal and State Affairs Committee

Senator Braumgardt and members of the committee.

I want to thank you for allowing me time to express my thoughts for my opposition to SB54.

My name is Edward Davies. I have had a thirty three year career in law enforcement. I worked up through the ranks to Captain with the Johnson County Sheriff Office and subsequently served nine years as Marion County Sheriff. I also served on former Governor Mike Haden Mental Health Reform Task force.

My opposition to SB54 is from the perspective of law enforcement in a rural community that being Marion County. This bill would increase the profit margins for corporations and other retail business but result in the loss of small liquor retailers and people's jobs. Idleness from losing jobs increases alcohol consumption and this reflects in more domestic abuse which law enforcement has to handle. The bottom line is important in a capitalistic society to say the least. However, there are negative ramifications for society that goes along with the increase of liquor sales. How does society weigh the pros and cons on this issue? Your committee has an important decision to make and I hope that relating a law enforcement view of this matter will be of some value to the committee. I must limit my comments however as they pertain to Marion County.

Federal, State and local organizations have completed many surveys on alcohol consumption by underage persons. Kansas Communities That Care (KCTC) for example has data developed over the last ten years. This organization works with 222 school districts in Kansas. KCTC objective is to identify factors that increase the use of alcohol by underage people. They are able to help schools and the communities to develop plans for curtailing this problem. They have been an important factor helping law enforcement in Marion County. Marion County is ranked second to last in binge drinking by underage persons in Kansas.

KCTC and other sources show the corollary between the increase in liquor outlets and advertising with the increase in consumption of alcohol by underage persons. One factor of this finding is the presumption that alcohol consumption is the social norm. The underage presume from this that adults are less concerned about their consumption and will in effect, seek sources to obtain alcohol. Adult disapproval is one of the key factors for controlling underage consumption.

Methods I have observed when I was Sheriff for the underage to acquire alcohol is still the case today in Marion County. The underage illegal acquisition has been greater from the convenience stores and grocery stores than from the liquor stores in Marion County. Liquor store owners have a vested interest in their business. They tend to train their clerks more thoroughly to check ID's and watch for other tell tale signs that tip them off to under age persons. The convenience store and grocery store clerks have a poor record in monitoring the underage person. One reason is the frequent turn over of employees in these businesses.

A large number of employees are under age themselves. These clerks can sell the cereal malt beverage and wine coolers at age 18. The violators are frequently alcohol abuser when they were preteen.

This group is more ready to look the other way for their friends or set a case of beer outside the back door of the business for their buddy to pick up. This is usually an evening operation when there is less adult supervision. The passage of SB54 permits 18 year olds to sell beer and wine. The exposure and hands on access to other liquor would create an undue temptation for this age group. The adult clerks, not all but many, are not concerned about losing the license to sell cereal malt beverage. They have been found to sell to underage persons because they look old enough or sell after the 8:00 P.M. Sunday closing hour just because they don't see the difference an additional hour makes.

I have purposely not filled this report with statistics for there are many available and possibly you have copies all ready. One of the concerns to this bill for law enforcement is the additional man power and expense to enforce the law. KCTC surveys have given law enforcement a positive indicator of the increase alcohol abuse which will occur by passage of SB54. Law enforcement will see an increase in alcohol violations, increase in youthful criminal acts and persons crimes such as assault and battery.

Law enforcement officers need tools to use to protect society from harm and control behavior. We have become a very permissive nation. Every alleged minority right seems to be granted. The nation's moral compass has been degraded. A very thin line exists between right and wrong. We need laws that are good for the people of Kansas and Marion County. Sometimes legislation cannot be guided by economics alone.

I again want to thank this committee for hearing my thoughts on this bill and I hope this information will help you decide what is good for the people.

Coffeyville
KANSAS

City of Coffeyville
• 102 W 7th • P.O. Box 1629 •
Coffeyville, KS 67337-0949
620-252-6108 phone 620-252-6175 fax
coffeyville.com

February 16, 2011

TO: House Federal and State Affairs Committee
Senator Dwayne Umbarger
Senator Jeff King

FROM: City of Coffeyville

RE: Opposition to SB54

The City of Coffeyville is opposed to SB54 as currently written. This bill will take away control of Cereal Malt Beverage licensing at the local level and could have an impact on local sales tax receipts.

Sales tax is a major source of revenue for the City of Coffeyville. SB54 imposes a liquor tax and establishes a local CMB revenue fund, however, the fund would be subject to appropriation resulting in no guarantee the City would actually receive any funding.

The City of Coffeyville respectfully urges the Federal and State Affairs Committee not to report SB54 favorably for passage.

Mayor Alec Hendryx
Vice-Mayor Pam Jones
Commissioner David George
Commissioner Richard Gonzales
Commissioner Jim C. Taylor, Sr.