



To: House Commerce, Labor, and Economic Development
From: Kim Winn, Deputy Director
Date: March 7, 2013
Re: HB 2206

Thank you for allowing the League of Kansas Municipalities (LKM) to offer testimony regarding HB 2206. LKM does not have a specific position on the underlying policy of where alcohol is sold. Because the proposed changes in HB 2206 would impact the way that liquor is taxed and the way that money is distributed, we would like to offer a few comments for your consideration.

Under current law, only cereal malt beverage products may be sold in grocery stores and convenience stores. Sales taxes are imposed on those products and the money is distributed as such. Package liquor stores, on the other hand, impose the liquor enforcement tax. A portion of those funds is distributed to cities and counties.

As grocery stores and convenience stores begin to sell alcoholic liquor as provided for in HB 2206, sales of cereal malt beverage will certainly decline and eventually end altogether. As a result of this decline, cities and counties will lose the revenue that is currently received from the sales tax on cereal malt beverage products. In an attempt to mitigate these losses, the proponents of HB 2206 have included a provision to establish the local cereal malt beverage sales tax fund. The bill provides that these funds will be distributed along with local sales tax distributions based upon a weighted population formula.

LKM appreciates the creation of this fund. However, we have a concern that if the funds are subject to appropriation, they could be swept for other purposes. As HB 2206 is currently written, it appears that the funds are an automatic transfer and not subject to appropriation. We would request that this language remain intact in order to assure that those funds remain targeted for the purposes intended in this bill.

Thank you for the opportunity to offer our comments regarding this legislation. I would be happy to stand for questions at the appropriate time.