



TO: Senate Federal and State Affairs Committee

FROM: Sandy Jacquot, Director of Law/General Counsel

DATE: February 1, 2011

RE: Written Testimony only on SB 54

Thank you for allowing the League of Kansas Municipalities to provide the committee some comments on SB 54. LKM does not have a specific position on the underlying policy of where alcohol is sold, but is concerned about two aspects of SB 54. This bill would create three additional licenses for the sale of alcoholic liquor, which could be sold virtually anywhere, the targeted market being grocery stores and convenience stores. A Class C license would allow the sale of any type of alcoholic liquor, Class B the sale of wine and strong beer, and Class A the sale of strong beer. The number of Class C licenses will be limited for three years to the number in existence on January 1, 2012. In the interim, however, a vendor will be able to obtain a Class A or B license.

LKM believes this would cause the market for CMB in Kansas to dry up. Local governments regulate CMB, but the State of Kansas regulates alcoholic liquor. When CMB violations occur, cities are able to address the violation without depending on the State to take action. Thus, with a movement away from having CMB in convenience stores and grocery stores, local governments lose control of the licensing of those vendors. Cities have concerns about the loss of local control, because they will still have the duty of detecting violations of the liquor laws, but will not be able to respond and deal with the violations through the licensing process over vendors which they previously had control. Thus, this loss of local control is one concern LKM has with SB 54.

Second, it is difficult to ascertain whether, as contended by the proponents, this bill will have a positive or negative fiscal effect. CMB is currently subject to sales tax, which would be reduced, and we suspect eventually eliminated, with the introduction of alcoholic liquor in grocery stores and convenience stores, alcoholic liquor being subject to the liquor tax. The proponents have created a local CMB sales tax fund to be distributed to local government at the same time the local sales tax is distributed. The amount distributed to each local government would be based upon population, as opposed to actual sales. While LKM appreciates the creation of this fund, if subject to appropriation, it could result in that fund being swept in the future. Thank you again for allowing the League to express its concerns about SB 54.