

MINUTES OF THE House COMMITTEE ON Federal and State Affairs

The meeting was called to order by Rep. Neal D. Whitaker at
Chairperson

10 a.m./p.m. on April 19, 1983 in room 526-S of the Capitol.

All members were present except: Rep. Goossen, who was excused.

Committee staff present:

Russ Mills, Legislative Research
Mary Ann Torrence, Revisor of Statute's Office
Nora Crouch, Committee Secretary

Conferees appearing before the committee:

Paul Klotz, Association of Community Mental Health Centers
Clint Willsie, Director, Sedgwick County Mental Health Center
Harriet Griffith, Chairman, Legislative Action Committee, Mental Health
Association in Kansas
Don Jolley, Kansas Recreation and Park Association
Jack Milligan, Kansas Association of Private Clubs
Betty Stowers, Mental Health Association in Kansas
Ron Eisenbarth, Kansas Citizens Advisory Committee on Alcohol & Other Abuse
Glenn Leonardi, Kansas Alcoholism Counselors Association
Liz Meyer, Kansas Association of Drug Abuse Counselors
George Heckman, Kansas Association of Alcohol and Drug Program Directors
Bruce H. Beale, Kansas Community Alcohol Safety Action Project
Dave Gorrell, 11th Judicial District
Joan Wesselowski, Kansas Association of Rehabilitation Facilities
Ethel May Miller, Kansas Association for Retarded Citizens
Phil Webber, New Chance, Dodge City
Chris McKenzie, League of Kansas Municipalities
John Miller, Retail Liquor Dealer, Shawnee, Kansas
Mary Ellen Conlee, City of Wichita
Representative Bob Frey
Representative Marvin Littlejohn
Joe Berger, Sunflower Association
John Webb, Green's Retail Liquor Store, Lawrence, Kansas
Tuck Duncan, Kansas Wine & Spirits Wholesalers Association, Inc.
Tom Green, Kansas Retail Liquor Dealers Association
Bill Katzenberger, Director of Parks and Recreation, Leavenworth
Barbara Schiable, Policy Making Board, Kansas Parks & Recreation Commission
Tom Kennedy, Director, Alcoholic Beverage Control
Ron Vine, Topeka Parks & Recreation Department

The Chairman called the meeting to order and advised all present that Sub. for SB 429 was a surprise to the Committee as it was referred to them at Adjournment so the hearing would be a learning experience for all.

Russ Mills, Legislative Research, provided the Committee with a balloon brief on Sub for SB 429 and explained the sections and proposed amendments. (See Attachment A)

The Chairman stated that from the agenda it appeared that most of the conferees are here to address the distribution of monies. Of this money, 1/3 stays with the state and 2/3 goes to the local program. The distribution formula is on Page 13 of the balloon.

Paul Klotz, Association of Community Mental Health Centers, appeared in support of SB 429 stating it would increase revenue without a new tax. The centers operating around the state desperately need the funding. He pointed out to the Committee that approximately 52% of their revenue is from private paying sources. (See Attachment B)

Clint Willsie, Director, Sedgwick County Mental Health Center, appeared in support of SB 429 and expressing the support of the 35 mental health centers across the state.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Federal and State Affairs,
 room 526-S Statehouse, at 10 a.m./~~P.M.~~ on April 19 1983

Harriet Griffith, Chairman, Legislative Action Committee, Mental Health Association in Kansas, appeared in support of SB 429 stating this does not create a new tax but makes more efficient the collection of the existing tax. (See Attachment C)

Don Jolley, Kansas Recreation and Park Association, appeared in opposition to SB 429 as it cuts money from the recreation departments across the state. (See Attachment D)

The Chairman asked for an explanation of the fiscal note from the Dept. of Revenue and Tom Kennedy, Director of ABC. (See Attachment E) He explained his concern about how much money this bill is actually going to raise.

Tom Kennedy, Director, ABC, presented the Committee with a computation for the wholesale case cost and the anticipated revenue. (See Attachment F)

Jack Milligan, Kansas Association of Private Clubs, appeared in support of SB 429 emphasizing the support is because of the percuse tax being assessed at 50% of the wholesale price and not a flat rate tax at \$50 per case. He also supports permitting retailers to deliver to clubs. (See Attachment G)

Betty Stowers, Mental Health Association in Kansas, appeared in support of SB 429 stating that this revenue for mental health programs is vitally needed.

Ron Eisenbarth, Kansas Citizens Advisory Committee on Alcohol and Other Drug Abuse, appeared in support of SB 429 stating this would make additional funding available to alcohol and drug abuse programs at the local level. (See Attachment H)

Glenn Leonardi, Kansas Alcoholism Counselors Association, appeared on SB 429 stating it is essential to maintain both the quality and quantity of support groups on alcoholism and other drug related services available in the State. (See Attachment I)

Liz Meyer, Kansas Association of Drug Abuse Counselors, appeared in support of SB 429 stating this bill would help to ensure treatment for those Kansans who are in need without burdening the taxpayer with another tax. (See Attachment J)

George Heckman, Kansas Association of Alcohol and Drug Program Directors, appeared in support of SB 429 stating he represents 45 agencies providing services in the state which are badly needed. (See Attachment K)

Bruce H. Beale, Kansas Community Alcohol Safety Action Project, appeared in support of SB 429 stating he represents the 21 drunk driving programs in the state, some of which are sorely in need of the funds this bill provides. (See Attachment L)

Dave Gorrell, 11th Judicial District, appeared in support of SB 429 stating they choose not to be licensed by SRS as they have a good program and ask that they have the ability to have the District Judge retain control of the program. (See Attachment M)

Joan Wesselowski, Kansas Association of Rehabilitation Facilities, appeared in support of SB 429 stating they are looking at the bill in terms of the money that could go into the general fund to support the rehabilitation facilities.

Ethel May Miller, Kansas Association for Retarded Citizens, appeared in support of SB 429 stating they make up a membership of 55 local units in support groups. The problems with mental retardation are most democratic - it relates to all levels of society and all political parties.

Phil Webber, New Chance, Dodge City, Kansas, appeared in support of SB 429 stating they have never had an excess of funds. They provide various types of care including a small ASAP program. (See Attachment N)

CONTINUATION SHEET

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 room 526-S, Statehouse, at 10 a.m./~~p.m.~~ on April 19, 1983

Chris McKenzie, League of Kansas Municipalities, appeared on SB 429 stating they are in general support of the measure. They expressed concern about taking parks and recreation funds out of the picture.

John Miller, Retail Liquor Dealer, Shawnee, Kansas, appeared on SB 429 stating that Kansas taxes force the consumer to go out of state to purchase what he uses. He stated that if you adopt this bill you will be rewarding the honest tax paying club owner. (See Attachments O & P)

Mary Ellen Conlee, City of Whicita, appeared on SB 429 supporting the proposed changes in the collection system of taxes from the dealer. They do oppose the language that would regulate how the monies generated would be distributed. (See Attachment Q)

Representative Bob Frey appeared in opposition to SB 429 stating he was concerned about all programs that are to receive revenue and have to be licensed or certified by SRS. Last year's bill stated that SRS must certify all programs and he provided the Committee with a copy of the 8 page contract that was a part of the mandate by SRS on certification. (See Attachment R) There are lots of programs out there that can do some good and they don't need the control that SRS would impose on them by this bill. He urged the abolishment of the section on certification by SRS.

Representative Marvin Littlejohn appeared in opposition to SB 429 disagreeing with the proposal cutting the tax from 15% to 10%. He stated they have to carry a rather large inventory at all times to take care of the clubs' needs.

Joe Berger, Sunflower Association, appeared in opposition to SB 429 stating that it is getting more and more expensive to go out and more and more people are staying home to socialize. He stated that all of the programs talked about in the morning are good and are needed but the extra tax is not needed.

John Webb, Green's Retail Liquor Store, Lawrence, Kansas, appeared in opposition to SB 429 stating we want to generate revenue which is not going to cost a lot of money to get so we need controls. We are surrounded by states that have lower prices therefore our customers are taking their business elsewhere.

Tuck Duncan, Kansas Wine & Spirits Wholesalers Association, Inc., appeared in opposition to SB 429. He explained the differences between the original version of SB 429 and the Sub. for SB 429. He suggested the simplest solution is to put more teeth in the present collection process and if there is a need for special club stamps that they should be affixed by the retailer at the time of sale to the club. (See Attachments (S & T))

Tom Green, Kansas Retail Liquor Dealers Association, appeared in opposition to SB 429 stating he concurred with Mr. Duncan's statements. He further stated it is very difficult for the industry to deal with the issues raised in this bill in the last days of the session. This bill is not a good method of resolving the problem. (See copy of letter to Senator Robert Talkington, Attachment U)

Bill Katzenberger, Director of Parks and Recreation, Leavenworth, appeared in opposition to SB 429 stating there are approximately 170 programs operating throughout the state and only 11 of them are run by the cities. The others are run by various efforts. The only way these groups are going to get any money is through the designation of parks and recreation. If the distribution is left to the cities this money will not get to these programs.

Barbara Schiable, Policy Making Board, Kansas Parks & Recreation Commission, appeared in opposition to SB 429 stating that all parks and recreation facilities serve a large portion of the people of the state. They are already working with very limited budgets and what they do with the money they get is amazing.

Tom Kennedy, Director, ABC, appeared on SB 429 recommending clarification of language in New Sec. 10, expressing no objections to retailers delivering to clubs, recommending a date stamp be deleted, and expressing under the

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present law the mechanism is in place for collecting the gross receipts tax from clubs and distributing the receipts back to the designated places.
(See Attachment V)

Ron Vine, Topeka Parks & Recreation Department, appeared in opposition to SB 429 in its present form. The city recommends the bill be amended in 3 forms including reinstating the recreation funds. The city is in agreement with most provisions of the bill but this is predicated on our understanding that this bill will generate additional tax monies across the state.

The Chairman thanked everyone for their time and attention to an extremely complex matter.

Further information in the way of handouts were provided the Committee by the Sunflower Alcohol Safety Action Project (See Attachment W) and United Community Services of Johnson County, Inc. (See Attachment X)

The meeting adjourned.

GUEST LIST

FEDERAL & STATE AFFAIRS COMMITTEE

DATE 4-19-83

(PLEASE PRINT)

| NAME | ADDRESS | WHO YOU REPRESENT |
|-----------------------|------------------|---------------------------------|
| TUCK DWAN | TOPEKA | KWSWA |
| MARVIN LITTLEJOHN | PHILLIPSBURG | SELF |
| JAMES C. BAIRD | JUNCTION CITY | KWSWA |
| TOM KENNEDY | TOPEKA | ABC |
| Richard Hodson | Lawrence | ABC |
| Richard Joylon | Topeka | Life at Best |
| Barbara Schauble | Wichita | self |
| Marlene Natchi | Olathe | Kansas Recreation & Park Assoc. |
| Bill Kotzenberger | Leavenworth | Kansas Recreation & Park Assoc. |
| Donald E. Ternberg | Meriden, KS | Topeka ARC |
| Gene Johnson | Topeka, KS | Sunflower ASAP |
| Edward Laquell | Indianapolis, KS | 11th J. Council ASAP |
| BOUCE BELLE | Lawrence | FCA/AF |
| Ive Thornton | Winfield | KRPA |
| Chris McKenzie | Topeka | League of KS Women |
| Alvin Boyd | Lawrence | City of Lawrence |
| Alvin Boyd | Topeka | SAR/ADAS |
| Michael A. Flyzile | Topeka | SRS/ADAS |
| Ethel May Miller | Topeka | Ks. Baptist Church |
| Eugene M. Mearns | Topeka | KADAC |
| Arnold Christie | KCR | Princeton |
| Cubert Black | K.C.K. | Lynn St. |
| John B. Muesel | Leavenworth | Leavenworth Soc. |
| Lawrence Maske | Lawrence | Leavenworth Soc. |
| Mark Elmore | Olathe KS | So. Co. M. R. Center |
| Ken Eschert | Wellington, KS | K.R.P.A. |

GUEST LIST

FEDERAL & STATE AFFAIRS COMMITTEE

DATE 4-19-83

(PLEASE PRINT)

| NAME | ADDRESS | WHO YOU REPRESENT |
|---------------------|-------------------------|------------------------|
| T.L. Green | Topeka | KRLDA |
| Albert Lollar | Topeka | KRLDA |
| T.G. Schlemmer | Columbia, Mo | DISCUS |
| Gene Ace | Liveland, Mo | Ronan |
| Pat Mitt | Leucan | Berningus |
| John Milk | Shawnee | Progressive Retailer |
| John Van | Shawnee | Clinton, Mo, Ind. Ind. |

Session of 1983

Substitute for SENATE BILL No. 429

By Committee on Ways and Means

4-6

Attach A

0016 AN ACT concerning alcoholic beverages; relating to minimum
0017 mark-ups on certain sales to clubs; concerning taxes on certain
0018 sales and purchases by clubs and disposition of revenues
0019 therefrom; providing for certain deliveries to clubs; amending
0020 K.S.A. 41-1111 and 41-308 and K.S.A. 1982 Supp. 79-3606 and
0021 79-41a01 through 79-41a04 and repealing the existing sec-
0022 tions.

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 Section 1. K.S.A. 41-1111 is hereby amended to read as fol-
0025 lows: 41-1111. (a) In the public interest and in order to promote
0026 the orderly sale and distribution of alcoholic liquor, to foster
0027 temperance and to promote the public welfare, the legislature
0028 finds: (a) That

0029 (1) Sales prices of alcoholic liquor sold by manufacturers and
0030 others to distributors licensed in this state should be no higher
0031 than the lowest price for which the same is sold to distributors
0032 anywhere in the continental United States; and (b) that

0033 (2) minimum mark-ups on alcoholic liquor sold by retailers
0034 licensed in this state should be determined and regulated by
0035 law.

0036 (b) As used in K.S.A. 41-1111 through 41-1121, and amend-
0037 ments thereto, "consumer" means a person purchasing alcoholic
0038 liquor for consumption and not for resale and does not include a
0039 club licensed pursuant to article 26 of chapter 41 of the Kansas
0040 Statutes Annotated.

0041 New Sec. 2. (a) The minimum mark-up on all sales of alco-
0042 holic liquor, except beer, by retailers to clubs licensed pursuant
0043 to article 26 of chapter 41 of the Kansas Statutes Annotated shall
0044 be 15% of the current posted case cost of the alcoholic liquor,
0045 except beer, to the retailer.

Section 1. Amendments to Liquor Control Act.

(b) As used in K.S.A. 41-1111 through 41-1121, "consumer" means a person purchasing alcoholic liquor for consumption and not for resale and does not include a licensed private club.

New Section 2. The minimum markup on sales of alcoholic liquor, except beer, by retailers to licensed private clubs shall be 15 percent of the current posted case cost to the retailer.

Alch. A

0046 (b) This section shall be part of and supplemental to the
0047 Kansas liquor control act.

0048 Sec. 3. K.S.A. 41-308 is hereby amended to read as follows:
0049 41-308. (a) A retailer's license shall allow the licensee to sell and
0050 offer for sale at retail and deliver *alcoholic liquor* in the original
0051 package, ~~as therein prescribed, only in the premises specified in~~
0052 ~~such license, alcoholic liquor including beer containing more~~
0053 ~~than 3.2 percent of alcohol by weight for use or consumption off~~
0054 ~~of and away from the premises specified in such license, but the~~
0055 ~~license and not for resale in any form except to by a club licensed~~
0056 ~~pursuant to under article 26 of chapter 41 of the Kansas Statutes~~
0057 ~~Annotated. The holder of a retailer's license shall not Except as~~
0058 ~~otherwise provided by this section, the license shall allow such~~
0059 ~~sale and delivery only on the licensed premises.~~

0060 (b) Except as otherwise provided by this section, no licensed
0061 retailer shall sell, offer for sale, or give away or permit to be sold,
0062 offered for sale; or given away in or from the licensed premises as
0063 specified in such license any service; or thing of value whatso-
0064 ever except alcoholic liquor in the original package; nor shall he
0065 or she.

0066 (c) A licensed retailer may deliver alcoholic liquor in the
0067 original package from the licensed premises to a club licensed
0068 under article 26 of chapter 41 of the Kansas Statutes Annotated
0069 and may accept payment for the sale of the alcoholic liquor at
0070 the point of delivery to the club.

0071 (d) No licensed retailer shall furnish any entertainment in
0072 such or on the licensed premises or permit any pinball machine
0073 or game of skill or chance to be located in or on such premises.

0074 ~~(b)~~ (e) A retailer's license shall allow the licensee to store
0075 wine or beer in refrigerators, cold storage units, ice boxes or
0076 other cooling devices, and the licensee may sell to consumers
0077 such wine to consumers or beer in a chilled condition.

0078 Sec. 4. K.S.A. 1982 Supp. 79-3606 is hereby amended to read
0079 as follows: 79-3606. The following shall be exempt from the tax
0080 imposed by this act:

0081 (a) All sales of motor-vehicle fuel or other articles upon
0082 which a sales or excise tax has been paid, not subject to refund,

Section 3. (a) Deletes language which prohibits retailers from
selling liquor except on licensed premises, as authorized
in subsection c.

(b) Conforming change.

(c) New provision permits retailer to deliver liquor purchases to
a licensed private club and accept payment at the club.

(e) Amendment recognizes current practice.

Section 4. Amends section concerning sales exempt from the re-
tailers' sales tax.

0083 under the laws of this state except: (1) Sales of cigarettes as
0084 defined by K.S.A. 79-3301; and amendments thereto; (2) sales of
0085 cereal malt beverages and malt products as defined by K.S.A.
0086 79-3817 and amendments thereto, including wort, liquid malt,
0087 malt syrup and malt extract, by a retailer other than a club
0088 licensed pursuant to article 26 of chapter 41 of the Kansas
0089 Statutes Annotated; and (3) motor vehicles as defined by K.S.A.
0090 1982 Supp. 79-1017 and amendments thereto;

0091 (b) all sales of tangible personal property or service, includ-
0092 ing the renting and leasing of tangible personal property, pur-
0093 chased directly by the state of Kansas, a political subdivision
0094 thereof, other than a school or educational institution, or pur-
0095 chased by a public or private nonprofit hospital or nonprofit
0096 blood bank and used exclusively for state, political subdivision,
0097 hospital or nonprofit blood bank purposes, except when such
0098 state, political subdivision, or hospital is engaged or proposes to
0099 engage in a business specifically taxable under the provisions of
0100 this act and such items of tangible personal property or service
0101 are used or proposed to be used in such business;

0102 (c) all sales of tangible personal property or services, includ-
0103 ing the renting and leasing of tangible personal property, pur-
0104 chased directly by a public or private elementary or secondary
0105 school or public or private nonprofit educational institution and
0106 used primarily by such school or institution for nonsectarian
0107 programs and activities provided or sponsored by such school or
0108 institution or in the erection, repair or enlargement of buildings
0109 to be used for such purposes. The exemption herein provided
0110 shall not apply to erection, construction, repair, enlargement or
0111 equipment of buildings used primarily for human habitation;

0112 (d) all sales of tangible personal property or services pur-
0113 chased by a contractor for the purpose of constructing, equip-
0114 ping, reconstructing, maintaining, repairing, enlarging, furnish-
0115 ing or remodeling facilities for any public or private nonprofit
0116 hospital, public or private elementary or secondary school or a
0117 public or private nonprofit educational institution, which would
0118 be exempt from taxation under the provisions of this act if
0119 purchased directly by such hospital, school or educational insti-

(a)(2) Exempts cereal malt beverage sold in licensed private clubs
from the retailers' sales tax.

0120 tution; and all sales of tangible personal property or services
0121 purchased by a contractor for the purpose of constructing,
0122 equipping, reconstructing, maintaining, repairing, enlarging,
0123 furnishing or remodeling facilities for any political subdivision
0124 of the state the total cost of which is paid from funds of such
0125 political subdivision and which would be exempt from taxation
0126 under the provisions of this act if purchased directly by such
0127 political subdivision. Nothing in this subsection or in the provi-
0128 sions of K.S.A. 12-3418, and amendments thereto, shall be
0129 deemed to exempt the purchase of any construction machinery,
0130 equipment or tools used in the constructing, equipping, recon-
0131 structing, maintaining, repairing, enlarging, furnishing or re-
0132 modeling facilities for any political subdivision of the state. As
0133 used in this subsection, K.S.A. 12-3418, and amendments
0134 thereto, and K.S.A. 1982 Supp. 79-3640, and amendments
0135 thereto, "funds of a political subdivision" shall mean general tax
0136 revenues, the proceeds of any bonds and gifts or grants-in-aid.
0137 Gifts shall not mean funds used for the purpose of constructing,
0138 equipping, reconstructing, repairing, enlarging, furnishing or
0139 remodeling facilities which are to be leased to the donor. When
0140 any political subdivision of the state, public or private nonprofit
0141 hospital, public or private elementary or secondary school or
0142 public or private nonprofit educational institution shall contract
0143 for the purpose of constructing, equipping, reconstructing,
0144 maintaining, repairing, enlarging, furnishing or remodeling fa-
0145 cilities, it shall obtain from the state and furnish to the contractor
0146 an exemption certificate for the project involved, and the con-
0147 tractor may purchase materials for incorporation in such project.
0148 The contractor shall furnish the number of such certificate to all
0149 suppliers from whom such purchases are made, and such sup-
0150 pliers shall execute invoices covering the same bearing the
0151 number of such certificate. Upon completion of the project the
0152 contractor shall furnish to the political subdivision, hospital,
0153 school or educational institution concerned a sworn statement,
0154 on a form to be provided by the director of taxation, that all
0155 purchases so made were entitled to exemption under this sub-
0156 section. All invoices shall be held by the contractor for a period

0157 of five years and shall be subject to audit by the director of
0158 taxation. If any materials purchased under such a certificate be
0159 found not to have been incorporated in the building or other
0160 project or not to have been returned for credit or the sales or
0161 compensating tax otherwise imposed upon such materials which
0162 will not be so incorporated in the building or other project
0163 reported and paid by such contractor to the director of taxation
0164 not later than the 20th day of the month following the close of the
0165 month in which it shall be determined that such materials will
0166 not be used for the purpose for which such certificate was issued,
0167 the political subdivision, hospital, school or educational institu-
0168 tion concerned shall be liable for tax on all materials purchased
0169 for the project, and upon payment thereof it may recover the
0170 same from the contractor together with reasonable attorney fees.
0171 Any contractor or any agent, employee or subcontractor thereof,
0172 who shall use or otherwise dispose of any materials purchased
0173 under such a certificate for any purpose other than that for which
0174 such a certificate shall be issued without the payment of the sales
0175 or compensating tax otherwise imposed upon such materials
0176 shall be guilty of a misdemeanor and, upon conviction therefor,
0177 shall be subject to the penalties provided for in *subsection (d) of*
0178 *K.S.A. 1982 Supp. 79-3615(4) 79-3615 and amendments thereto;*
0179 (e) all sales of tangible personal property or services pur-
0180 chased by a contractor for the erection, repair or enlargement of
0181 buildings or other projects for the government of the United
0182 States, its agencies or instrumentalities, which would be exempt
0183 from taxation if purchased directly by the government of the
0184 United States, its agencies or instrumentalities. When the gov-
0185 ernment of the United States, its agencies or instrumentalities
0186 shall contract for the erection, repair, or enlargement of any
0187 building or other project, it shall obtain from the state and
0188 furnish to the contractor an exemption certificate for the project
0189 involved, and the contractor may purchase materials for incor-
0190 poration in such project. The contractor shall furnish the number
0191 of such certificates to all suppliers from whom such purchases
0192 are made, and such suppliers shall execute invoices covering the
0193 same bearing the number of such certificate. Upon completion of

0194 the project the contractor shall furnish to the government of the
0195 United States, its agencies or instrumentalities concerned a
0196 sworn statement, on a form to be provided by the director of
0197 taxation, that all purchases so made were entitled to exemption
0198 under this subsection. All invoices shall be held by the contrac-
0199 tor for a period of five years and shall be subject to audit by the
0200 director of taxation. Any contractor or any agent, employee or
0201 subcontractor thereof, who shall use or otherwise dispose of any
0202 materials purchased under such a certificate for any purpose
0203 other than that for which such a certificate shall be issued
0204 without the payment of the sales or compensating tax otherwise
0205 imposed upon such materials shall be guilty of a misdemeanor
0206 and, upon conviction therefor, shall be subject to the penalties
0207 provided for in *subsection (d) of K.S.A. 1982 Supp. 79-3615(4)*
0208 *79-3615 and amendments thereto;*

0209 (f) tangible personal property purchased by a railroad or
0210 public utility for consumption or movement directly and imme-
0211 diately in interstate commerce;

0212 (g) sales of aircraft including remanufactured and modified
0213 aircraft, sales of aircraft repair, modification and replacement
0214 parts and sales of services employed in the remanufacture, mod-
0215 ification and repair of aircraft sold to persons using such aircraft
0216 and aircraft repair, modification and replacement parts as cer-
0217 tified or licensed carriers of persons or property in interstate or
0218 foreign commerce under authority of the laws of the United
0219 States or any foreign government or sold to any foreign govern-
0220 ment or agency or instrumentality of such foreign government
0221 and all sales of aircraft, aircraft parts, replacement parts and
0222 services employed in the remanufacture, modification and repair
0223 of aircraft for use outside of the United States;

0224 (h) all rentals of nonsectarian textbooks by public or private
0225 elementary or secondary schools;

0226 (i) the lease or rental of all films, records, tapes, or any type of
0227 sound or picture transcriptions used by motion picture exhibi-
0228 tors;

0229 (j) meals served without charge or food used in the prepara-
0230 tion of such meals to employees of any restaurant, eating house,

0231 dining car, hotel, drugstore or other place where meals or drinks
0232 are regularly sold to the public if such employees' duties are
0233 related to the furnishing or sale of such meals or drinks;

0234 (k) any motor vehicle, semitrailer or pole trailer, as ~~such~~
0235 *those* terms are defined by K.S.A. 8-126, and amendments
0236 thereto, or aircraft sold and delivered in this state to a bona fide
0237 resident of another state, which motor vehicle, semitrailer, pole
0238 trailer or aircraft is not to be registered or based in this state and
0239 which vehicle, semitrailer, pole trailer or aircraft will not remain
0240 in this state more than 10 days;

0241 (l) all isolated or occasional sales of tangible personal prop-
0242 erty, services, substances or things, except isolated or occasional
0243 sale of motor vehicles specifically taxed under the provisions of
0244 *subsection (o) of K.S.A. 1982 Supp. 79-3603(a) 79-3603* and
0245 amendments thereto;

0246 (m) all sales of tangible personal property which become an
0247 ingredient or component part of tangible personal property or
0248 services produced, manufactured or compounded for ultimate
0249 sale at retail within or without the state of Kansas; and any such
0250 producer, manufacturer or compounder may obtain from the
0251 director of taxation and furnish to the supplier an exemption
0252 certificate number for tangible personal property for use as an
0253 ingredient or component part of the property or services pro-
0254 duced, manufactured or compounded;

0255 (n) all sales of tangible personal property which is consumed
0256 in the production, manufacture, processing, mining, drilling,
0257 refining or compounding of tangible personal property, the pro-
0258 viding of services or the irrigation of crops for ultimate sale at
0259 retail within or without the state of Kansas; and any purchaser of
0260 such property may obtain from the director of taxation and
0261 furnish to the supplier an exemption certificate number for
0262 tangible personal property for consumption in such production,
0263 manufacture, processing, mining, drilling, refining, compound-
0264 ing, irrigation and in providing such services;

0265 (o) all sales of animals, fowl and fish, the primary purpose of
0266 which is use in agriculture, the production of food for human
0267 consumption, the production of animal, dairy, poultry or fish

0268 products, fiber or fur, or the production of offspring for use for
0269 any such purpose or purposes;

0270 (p) trade fixtures and equipment which is already installed
0271 and second-hand when sold by a person ceasing to do business
0272 where said fixtures or equipment is installed;

0273 (q) all sales of prescription only drugs, as defined by K.S.A.
0274 65-1626 *and amendments thereto*, dispensed pursuant to a pre-
0275 scription order, as defined by K.S.A. 65-1626 *and amendments*
0276 *thereto*, by a licensed practitioner;

0277 (r) all sales of insulin dispensed by a person licensed by the
0278 state board of pharmacy to a person for treatment of diabetes at
0279 the direction of a person licensed to practice medicine by the
0280 board of healing arts;

0281 (s) all sales of prosthetic and orthopedic appliances pre-
0282 scribed in writing by a person licensed to practice the healing
0283 arts, dentistry or optometry. For the purposes of this subsection,
0284 the term prosthetic and orthopedic appliances means any appa-
0285 ratus, instrument, device, or equipment used to replace or sub-
0286 stitute for any missing part of the body; used to alleviate the
0287 malfunction of any part of the body; or used to assist any disabled
0288 person in leading a normal life by facilitating such person's
0289 mobility; but such term shall not include motor vehicles, acces-
0290 sories to be attached to motor vehicles or personal property
0291 which when installed becomes a fixture to real property;

0292 (t) all sales of tangible personal property or services pur-
0293 chased directly by a groundwater management district organized
0294 or operating under the authority of K.S.A. 82a-1020 *et seq.*, *and*
0295 *amendments thereto*, which property or services are used in the
0296 operation or maintenance of the district;

0297 (u) all sales of used farm machinery and equipment, repair
0298 and replacement parts therefor and services performed in the
0299 repair and maintenance of such machinery and equipment. For
0300 the purposes of this subsection the term "farm machinery and
0301 equipment" shall not include any passenger vehicle, truck, truck
0302 tractor, trailer, semitrailer or pole trailer, other than a farm trailer,
0303 as said *those* terms are defined by K.S.A. 8-126 and amendments
0304 thereto. For the purposes of this subsection "sales of used farm

0305 machinery and equipment" shall mean and include sales other
0306 than the original retail sale of such machinery and equipment.
0307 Each purchaser of farm machinery or equipment exempted
0308 herein must certify in writing on the copy of the invoice or sales
0309 ticket to be retained by the seller that such purchaser is engaged
0310 in farming or ranching and that the farm machinery or equipment
0311 purchased will be used only in farming or ranching;

0312 (v) all leases or rentals of tangible personal property used as a
0313 dwelling where said tangible personal property is leased or
0314 rented for a period of more than 28 consecutive days;

0315 (w) all sales of food products to any contractor for use in
0316 preparing meals for delivery to homebound elderly persons over
0317 60 years of age and to homebound disabled persons or to be
0318 served at a group-sitting at a location outside of the home to
0319 otherwise homebound elderly persons over 60 years of age and
0320 to otherwise homebound disabled persons, as all or part of any
0321 food service project funded in whole or in part by government or
0322 as part of a private nonprofit food service project available to all
0323 such elderly or disabled persons residing within an area of
0324 service designated by the private nonprofit organization;

0325 (x) all sales of natural gas, electricity, heat and water deliv-
0326 ered through mains, lines or pipes to residential premises for
0327 noncommercial use by the occupant of such premises and all
0328 sales of natural gas, electricity, heat and water delivered through
0329 mains, lines or pipes for agricultural use;

0330 (y) all sales of propane gas, LP-gas, coal, wood and other fuel
0331 sources for the production of heat or lighting for noncommercial
0332 use of an occupant of residential premises;

0333 (z) all sales of intrastate telephone and telegraph services for
0334 noncommercial use except noncommercial intrastate long dis-
0335 tance telephone service;

0336 (aa) all sales of materials and services used in the repairing,
0337 servicing, altering, maintaining, manufacturing, remanufactur-
0338 ing, or modification of railroad rolling stock for use in interstate
0339 or foreign commerce under authority of the laws of the United
0340 States;

0341 (bb) sales of tangible personal property and services pur-

0342 chased directly by a port authority or by a contractor therefor as
 0343 provided by the provisions of K.S.A. 12-3418; and amendments
 0344 thereto; and

0345 (cc) all sales of materials and services applied to equipment
 0346 which is transported into the state from without the state for
 0347 repair, service, alteration, maintenance, remanufacture or modi-
 0348 fication and which is subsequently transported outside the state
 0349 for use in the transmission of liquids or natural gas by means of
 0350 pipeline in interstate or foreign commerce under authority of the
 0351 laws of the United States.

0352 Sec. 5. K.S.A. 1982 Supp. 79-41a01 is hereby amended to
 0353 read as follows: 79-41a01. As used in K.S.A. 1982 Supp. 79-41a01
 0354 to ~~79-41a04~~, ~~inclusive through 79-41a08~~, and amendments
 0355 thereto:

0356 (a) "Alcoholic liquor" ~~shall have the meaning and "beer"~~
 0357 ~~have the meanings~~ provided by K.S.A. 41-102 and amendments
 0358 thereto.

0359 (b) "*Cereal malt beverage*" ~~has the meaning provided by~~
 0360 ~~K.S.A. 41-2701 and amendments thereto.~~

0361 (c) "Club" ~~shall have~~ has the meaning provided by K.S.A.
 0362 41-2601 and amendments thereto.

0363 (e) (d) "Gross receipts derived from the sale of ~~alcoholic~~
 0364 ~~liquor beer or cereal malt beverage~~" means the amount charged
 0365 the consumer for a drink containing ~~alcoholic liquor beer or~~
 0366 ~~cereal malt beverage~~, including any portion of that amount
 0367 attributable to the cost of any ingredient mixed with or added to
 0368 the ~~alcoholic liquor beer or cereal malt beverage~~ contained in
 0369 such drink.

0370 Sec. 6. K.S.A. 1982 Supp. 79-41a02 is hereby amended to
 0371 read as follows: 79-41a02. (a) There is hereby imposed, for the
 0372 privilege of selling ~~alcoholic liquor beer or cereal malt beverage~~,
 0373 a tax at the rate of ~~ten percent (10%)~~ 10% upon the gross receipts
 0374 derived from the sale of ~~alcoholic liquor beer or cereal malt~~
 0375 ~~beverage~~ by any club.

0376 (b) The tax imposed by this section shall be paid by the
 0377 consumer to the club and it shall be the duty of each ~~and every~~
 0378 club subject to this section to collect from the consumer the full

Section 5. Amends taxation sections concerning sales of liquor
 by private clubs.

(a) Adds "beer."

(b) Adds "cereal malt beverage."

(d) Modifies "gross receipts" to exclude liquor and add beer or
 cereal malt beverage.

Section 6. Places 10 percent gross receipts tax on beer and
 cereal malt beverage sold in private clubs and removes exist-
 ing 10 percent tax on alcoholic liquor sold in clubs.

0379 amount of ~~such~~ *the* tax, or an amount equal as nearly as possible
0380 or practicable to the average equivalent thereto. Each club
0381 collecting the tax imposed ~~hereunder by this section~~ shall be
0382 responsible for paying ~~it over the same~~ to the state department of
0383 revenue in the manner prescribed by K.S.A. 1982 Supp. 79-41a03
0384 ~~and amendments thereto~~, and the state department of revenue
0385 shall administer and enforce the collection of ~~such~~ *the* tax.

0386 Sec. 7. K.S.A. 1982 Supp. 79-41a03 is hereby amended to
0387 read as follows: 79-41a03. (a) The tax ~~levied and collected~~
0388 ~~pursuant to imposed by~~ K.S.A. 1982 Supp. 79-41a02 ~~and amend-~~
0389 ~~ments thereto~~ shall become due and payable by the club
0390 monthly; or on or before the last day of the month immediately
0391 succeeding the month in which it is collected, but any club filing
0392 an annual or quarterly return under the Kansas retailers' sales tax
0393 act, as prescribed in K.S.A. ~~1982 Supp.~~ 79-3607 and amendments
0394 thereto, ~~shall~~, upon such conditions as the secretary of revenue
0395 may prescribe, *shall* pay the tax required by this act on the same
0396 basis and at the same time the club pays such retailer's sales tax.
0397 Each club shall make ~~a true~~ *an accurate monthly* report to the
0398 department of revenue, on a form prescribed by the secretary of
0399 revenue, providing ~~such~~ *an* information ~~as may~~ be necessary to
0400 determine the amounts to which any such tax shall apply for all
0401 gross receipts derived from the sale of ~~aleoholic liquor beer or~~
0402 ~~cereal malt beverage~~ by the club for the applicable month or
0403 months, which report shall be accompanied by the tax disclosed
0404 thereby. Records of gross receipts derived from the sale of
0405 ~~aleoholic liquor beer or cereal malt beverage~~ shall be kept
0406 separate and apart from the records of other retail sales made by a
0407 club in order to facilitate the examination of books and records as
0408 provided herein.

0409 (b) The secretary of revenue or the secretary's authorized
0410 representative shall have the right at all reasonable times during
0411 business hours to make ~~such~~ *any* examination and inspection of
0412 the books and records of a club ~~as may~~ be necessary to determine
0413 the accuracy of ~~such~~ reports required ~~hereunder under this~~
0414 ~~section~~.

0415 (c) For each month, ~~or any part thereof, or part of a month~~

Section 7. Conforming amendments.

0416 that any tax provided for by this act remains unpaid after the
 0417 ~~same~~ it becomes due and payable by the club, there shall be
 0418 added to such tax, as a penalty: (1) Ten percent of the amount of
 0419 ~~such the unpaid~~ tax for the first month or any part thereof ~~that the~~
 0420 ~~same of the first month that it is~~ unpaid; and (2) two percent of
 0421 the amount of ~~such the unpaid~~ tax for each month thereafter that
 0422 the tax remains unpaid. In no case shall the total penalty exceed
 0423 30% of the unpaid tax.

0424 (d) The secretary of revenue is hereby authorized to shall
 0425 administer and collect the tax imposed hereunder and to adopt
 0426 ~~such~~ under K.S.A. 1982 Supp. 79-41a02 and amendments thereto
 0427 and shall adopt any rules and regulations as may be necessary
 0428 for the efficient and effective administration and enforcement of
 0429 the collection thereof of that tax. Whenever any club liable to
 0430 pay the tax imposed hereunder refuses or neglects to pay the
 0431 ~~same tax~~, the amount, including any penalty, shall be collected
 0432 in the manner prescribed for the collection of the retailers' sales
 0433 tax by K.S.A. 79-3617 and amendments thereto.

0434 (e) The secretary of revenue shall remit daily to the state
 0435 treasurer all revenue collected under the provisions of this act.
 0436 The state treasurer shall deposit the entire amount of each
 0437 remittance in the state treasury and shall credit ~~25%~~ $\frac{1}{3}$ of the
 0438 remittance to the state general fund and the balance to the local
 0439 alcoholic liquor fund created by K.S.A. 1982 Supp. 79-41a04 and
 0440 amendments thereto.

0441 (f) Whenever, in the judgment of the secretary of revenue, it
 0442 is necessary, in order to secure the collection of any tax, penalties
 0443 or interest due, or to become due, under the provisions of this
 0444 act, the secretary may require any ~~person~~ subject to ~~such club~~
 0445 liable to pay the tax to file a bond with the director of taxation
 0446 under conditions established by and in such form and amount as
 0447 prescribed by rules and regulations adopted by the secretary.
 0448 Sec. 8. K.S.A. 1982 Supp. 79-41a04 is hereby amended to
 0449 read as follows: 79-41a04. (a) There is hereby created, in the state
 0450 treasury, the local alcoholic liquor fund. Moneys credited to such
 0451 fund pursuant to this act or any other law shall be expended only
 0452 for the purpose and in the manner provided by this act.

(e) Credit of private club liquor tax to:

| | <u>Current</u> | <u>S.B. 429</u> |
|-----------------------------|----------------|-----------------|
| State General Fund | 25% | 1/3 |
| Local Alcoholic Liquor Fund | 75% | 2/3 |

Section 8. Distribution of tax revenue.

0453 (b) All moneys credited to the local alcoholic liquor fund
 0454 shall be allocated to the several cities and counties of the state as
 0455 follows:
 0456 (1) Each city that has a population of more than 10,000 shall
 0457 receive ~~75%~~ $\frac{2}{3}$ of the amount which is collected pursuant to this
 0458 act from clubs located in such city for the taxes imposed by
 0459 K.S.A. 1982 Supp. 79-41a02 and section 10, and amendments
 0460 thereto, and which is paid into the state treasury during the
 0461 period for which the allocation is made.
 0462 (2) Each county in which there is located a city that has a
 0463 population of 10,000 or less shall receive 75% of the amount
 0464 which is collected pursuant to this act from clubs located in such
 0465 county and outside the corporate limits of any city and which is
 0466 paid into the state treasury during the period for which the
 0467 allocation is made.
 0468 (3) (2) Each city that has a population of 10,000 or less shall
 0469 receive ~~50%~~ $\frac{1}{3}$ of the amount which is collected pursuant to this
 0470 act from clubs located in such city for the taxes imposed by
 0471 K.S.A. 1982 Supp. 79-41a02 and section 10, and amendments
 0472 thereto, and which is paid into the state treasury during the
 0473 period for which the allocation is made.
 0474 (4) (3) Each county in which there is located a city that has a
 0475 population of 10,000 or less shall receive: (A) ~~Seventy-five per-~~
 0476 ~~cent~~ ~~Two-thirds~~ of the amount which is collected pursuant to
 0477 this act from clubs located in such county for the taxes imposed
 0478 by K.S.A. 1982 Supp. 79-41a02 and section 10, and amendments
 0479 thereto, and outside the corporate limits of any city and which is
 0480 paid into the state treasury during the period for which the
 0481 allocation is made; and (B) ~~twenty-five percent~~ ~~one-third~~ of the
 0482 amount which is collected pursuant to this act from clubs located
 0483 in the county for the taxes imposed by K.S.A. 1982 Supp. 79-
 0484 41a02 and section 10, and amendments thereto, and within a city
 0485 that has a population of 10,000 or less and which is paid into the
 0486 state treasury during the period for which the allocation is made.
 0487 (c) The state treasurer shall make distributions from the local
 0488 alcoholic liquor fund in accordance with the allocation formula
 0489 prescribed by subsection (b) on March 15, June 15, September

Current

Total amount collected in state
 25% to State General Fund
 75% to Local Alcoholic Liquor Fund

Amount collected in cities over 10,000
 25%, city general fund
 25%, city parks and recreation
 25%, city alcohol and drug programs

Amount collected in counties
 25%, county general fund
 25%, county parks and recreation
 25%, county alcohol and drug pro-
 grams

Amount collected in cities 10,000 or less
 25%, city general fund
 25%, city parks and recreation
 25%, county alcohol and drug pro-
 grams

S.B. 429

1/3 to State General Fund
 2/3 to Local Alcoholic Liquor Fund

1/3, city general fund
 1/3, city alcohol and drug programs

1/3, county general fund
 1/3, county alcohol and drug programs

1/3, city general fund
 1/3, county alcohol and drug programs

0490 15 and December 15 of each year. The director of accounts and
0491 reports shall draw warrants on the state treasurer in favor of the
0492 several county treasurers and city treasurers on the dates and in
0493 the amounts determined under this section. Such distributions
0494 shall be paid directly by mail to the several county treasurers and
0495 city treasurers.

0496 (d) Each city treasurer of a city that has a population of more
0497 than 10,000, upon receipt of any moneys distributed under this
0498 section, shall deposit the full amount in the city treasury and
0499 shall credit $\frac{1}{3}$ $\frac{1}{2}$ of the deposit to the general fund of the city; $\frac{1}{3}$
0500 ~~to a special parks and recreation fund in the city treasury and $\frac{1}{3}$~~
0501 $\frac{1}{2}$ to a special alcohol and drug programs fund in the city
0502 treasury. Each city treasurer of a city that has a population of
0503 10,000 or less, upon receipt of any moneys distributed under this
0504 section, shall deposit the full amount in the city treasury and
0505 shall credit $\frac{1}{2}$ of the deposit ~~it~~ to the general fund of the city and
0506 $\frac{1}{3}$ to a special parks and recreation fund in the city treasury.
0507 ~~Moneys in such special funds shall be under the direction and~~
0508 ~~control of the governing body of the city. Moneys in the special~~
0509 ~~parks and recreation fund shall be expended only for the pur-~~
0510 ~~chase, establishment, maintenance or expansion of park and~~
0511 ~~recreational services, programs and facilities. Moneys in the~~
0512 ~~special alcohol and drug programs fund shall be under the~~
0513 ~~direction and control of the governing body of the city and shall~~
0514 ~~be expended only for the purchase, of services from or the~~
0515 ~~establishment, maintenance or expansion of services or programs~~
0516 ~~of alcoholism and drug abuse prevention and education, alcohol~~
0517 ~~and drug detoxification, intervention in alcohol and drug abuse~~
0518 ~~or treatment of persons who are alcoholics or drug abusers or are~~
0519 ~~in danger of becoming alcoholics or drug abusers alcohol and~~
0520 ~~drug abuse prevention or treatment programs licensed or cer-~~
0521 ~~tified by the commissioner of alcohol and drug abuse services of~~
0522 ~~the department of social and rehabilitation services.~~

0523 (e) Each county treasurer of a county in which there is
0524 located no city that has a population of 10,000 or less, upon
0525 receipt of any moneys distributed under this section, shall de-
0526 posit the full amount in the county treasury and shall credit $\frac{1}{3}$ of

Moneys in the Alcohol and Drug Programs Fund may be used only
for services or programs licensed or certified by the Com-
missioner of Alcohol and Drug Abuse Services of SRS.

0527 the deposit to the general fund of the county; $\frac{1}{3}$ to a special parks
0528 and recreation fund in the county treasury and $\frac{1}{3}$ to a special
0529 alcohol and drug programs fund in the county treasury. Each
0530 county treasurer of a county in which there is located a city that
0531 has a population of 10,000 or less, upon receipt of any moneys
0532 distributed under this section, shall deposit the full amount in
0533 the county treasury and shall credit to a special alcohol and drug
0534 programs fund in the county treasury 25% $\frac{1}{3}$ of the amount
0535 which is collected pursuant to this act from clubs located in the
0536 county and within a city that has a population of 10,000 or less for
0537 the taxes imposed by K.S.A. 1982 Supp. 79-41a02 and section 10,
0538 and amendments thereto, and which is paid into the state trea-
0539 sury during the period for which the allocation is made; of the
0540 remainder, the treasurer shall credit $\frac{1}{3}$ $\frac{1}{2}$ to the general fund of
0541 the county; $\frac{1}{3}$ to a special parks and recreation fund in the county
0542 treasury and $\frac{1}{3}$ and $\frac{1}{2}$ to the special alcohol and drug programs
0543 fund. Moneys in such special funds shall be under the direction
0544 and control of the board of county commissioners. Moneys in the
0545 special parks and recreation fund shall be expended only for the
0546 purchase, establishment, maintenance or expansion of park and
0547 recreational services, programs and facilities. Moneys in the
0548 special alcohol and drug programs fund shall be under the
0549 direction and control of the board of county commissioners and
0550 shall be expended only for the purchase, of services from or the
0551 establishment, maintenance or expansion of services or programs
0552 of alcoholism and drug abuse prevention and education, alcohol
0553 and drug detoxification, intervention in alcohol and drug abuse
0554 or treatment of persons who are alcoholics or drug abusers or are
0555 in danger of becoming alcoholics or drug abusers alcohol and
0556 drug abuse prevention or treatment programs licensed or cer-
0557 tified by the commissioner of alcohol and drug abuse services of
0558 the department of social and rehabilitation services. In any
0559 county in which there has been organized an alcohol and drug
0560 advisory committee, the board of county commissioners shall
0561 request and obtain, prior to making any expenditures from the
0562 special alcohol and drug programs fund, the recommendations of
0563 the advisory committee concerning such expenditures. The

0564 board of county commissioners shall adopt the recommendations
0565 of the advisory committee concerning such expenditures unless
0566 the board, by unanimous vote of all commissioners, adopts a
0567 different plan for such expenditures.

0568 (l) Each year, the county treasurer shall estimate the amount
0569 of money the county and each city in the county will receive
0570 from the local alcoholic liquor fund and from distributions pur-
0571 suant to K.S.A. 1982 Supp. 79-41a05 and amendments thereto.
0572 The state treasurer shall advise each county treasurer, prior to
0573 June 1 of each year of the amount in the local alcoholic liquor
0574 fund that the state treasurer estimates, using the most recent
0575 available information, will be allocated to such county in the
0576 following year. The county treasurer shall, before June 15 of
0577 each year, notify the treasurer of each city of the estimated
0578 amount in dollars of the distribution to be made from the local
0579 alcoholic liquor fund and pursuant to K.S.A. 1982 Supp. 79-41a05
0580 and amendments thereto.

0581 New Sec. 9. As used in sections 9 through 17, and amend-
0582 ments thereto:

0583 (a) "Club" has the meaning provided by K.S.A. 41-2601 and
0584 amendments thereto.

0585 (b) "Distributor," "retailer," "spirits" and "wine" have the
0586 meanings provided by K.S.A. 41-102 and amendments thereto.

0587 New Sec. 10. (a) There is hereby imposed a tax at the rate of
0588 50% upon the wholesale price of all spirits and wine purchased
0589 by a club.

0590 (b) The tax imposed by this section shall be paid by the club.
0591 It shall be the duty of each retailer to collect from the club the
0592 full amount of the tax, or an amount equal as nearly as possible or
0593 practicable to the average equivalent thereto, and it shall be the
0594 duty of each distributor to collect from the retailer the full
0595 amount of the tax, or an amount equal as nearly as possible or
0596 practicable to the average equivalent thereto. Each distributor
0597 collecting the tax imposed by this section shall be responsible for
0598 paying it over to the state department of revenue in the manner
0599 prescribed by section 11 and amendments thereto, and the state
0600 department of revenue shall administer and enforce the collec-

New Section 9. Definitions of "club," "distributor," "retailer,"
"spirits," and "wine."

New Section 10(a). A tax shall be imposed at the rate of 50 percent
upon the wholesale price of spirits and wine purchased by a club.

(b) The tax shall be paid by the club. The tax shall be collected
from the club by the retailer and each distributor shall collect
the tax from the retailer. Each distributor shall be responsible
for paying the tax to the Department of Revenue.

0601 tion of the tax.

0602 (c) For the purposes of the tax imposed by K.S.A. 79-4101 and
0603 amendments thereto, the tax imposed by this section shall not be
0604 included in determining gross receipts from the sale of alcoholic
0605 liquor at retail, and the tax imposed by K.S.A. 79-4101 and
0606 amendments thereto shall not be included in determining the
0607 wholesale price of spirits and wine for the purposes of the tax
0608 imposed by this section.

0609 New Sec. 11. (a) The tax imposed by section 10 and amend-
0610 ments thereto shall become due and payable by the distributor
0611 monthly, or on or before the last day of the month immediately
0612 succeeding the month in which it is collected.

0613 (b) Each distributor shall make an accurate monthly report to
0614 the department of revenue, on a form prescribed by the secretary
0615 of revenue, providing any information necessary to determine
0616 the total amounts of spirits, wine and beer purchased by a club
0617 from retailers purchasing alcoholic liquor from the distributor for
0618 the applicable month, which report shall be accompanied by the
0619 tax disclosed thereby. Records of the amounts of spirits, wine
0620 and beer purchased by a club shall be kept separate and apart
0621 from the records of other sales by a distributor in order to
0622 facilitate the examination of books and records as provided by
0623 this section.

0624 (c) Each retailer shall maintain, separate and apart from the
0625 records of other sales by the retailer, records of the amounts of
0626 spirits, wine and beer purchased by a club from the retailer in
0627 order to facilitate the examination of books and records as pro-
0628 vided by this section.

0629 (d) Each club shall maintain, separate and apart from the
0630 records of other purchases by the club, records of the amounts of
0631 spirits, wine and beer purchased from a retailer by the club in
0632 order to facilitate the examination of books and records as pro-
0633 vided by this section.

0634 (e) The secretary of revenue or the secretary's authorized
0635 representative shall have the right at all reasonable times during
0636 business hours to make any examination and inspection of the
0637 books and records of a distributor, club or retailer that is neces-

New Section 11(a). The tax shall become due and payable by the distributor monthly.

(b) Each distributor shall make a monthly report to the Department of Revenue concerning the total amount of spirits, wine, and beer purchased by clubs from retailers.

(c) Each retailer shall maintain separate records of the amounts of spirits, wine, and beer purchased by clubs from the retailer.

(d) Each club shall maintain separate records of the amounts of spirits, wine, and beer purchased by the club from retailers.

(e) Examination of records of distributor, club, or retailer by the Department of Revenue.

0638 sary to determine the accuracy of reports required under this
0639 section.

0640 (f) For each month or part of a month that any tax provided for
0641 by this act remains unpaid after it becomes due and payable by
0642 the distributor, there shall be added to the tax, as a penalty: (1)
0643 Ten percent of the amount of the unpaid tax for the first month or
0644 any part thereof that it is unpaid; and (2) two percent of the
0645 amount of the unpaid tax for each month thereafter that the tax
0646 remains unpaid. In no case shall the total penalty exceed 30% of
0647 the unpaid tax.

0648 (g) The secretary of revenue shall administer and collect the
0649 tax imposed under this act and shall adopt any rules and regula-
0650 tions necessary for the efficient and effective administration and
0651 enforcement of the collection of that tax. Whenever any distrib-
0652 utor liable to pay the tax imposed under this act refuses or
0653 neglects to pay the tax, the amount, including any penalty, shall
0654 be collected in the manner prescribed for the collection of the
0655 retailers' sales tax by K.S.A. 79-3617 and amendments thereto.

0656 (h) The secretary of revenue shall remit daily to the state
0657 treasurer all revenue collected under the provisions of this act.
0658 The state treasurer shall deposit the entire amount of each
0659 remittance in the state treasury and shall credit $\frac{1}{3}$ of the remit-
0660 tance to the state general fund and the balance to the local
0661 alcoholic liquor fund created by K.S.A. 1982 Supp. 79-41a04 and
0662 amendments thereto.

0663 (i) Whenever, in the judgment of the secretary of revenue, it
0664 is necessary in order to secure the collection of any tax, penalties
0665 or interest due, or to become due, under the provisions of this
0666 act, the secretary may require any distributor liable to pay the tax
0667 to file a bond with the director of taxation under conditions
0668 established by and in such form and amount as prescribed by
0669 rules and regulations adopted by the secretary.

0670 New Sec. 12. (a) Each distributor shall affix to each original
0671 package of spirits or wine purchased by a retailer for sale to a
0672 club, a tax stamp evidencing the tax paid pursuant to this act. The
0673 tax stamps shall be furnished by the director of alcoholic bever-
0674 age control and shall be affixed to packages of spirits or wine in

(f) Penalty for late payment of tax.

(g) Secretary of Revenue to administer act and adopt rules and regulations.

(h) Tax revenue to be credited $\frac{1}{3}$ to State General Fund and $\frac{2}{3}$ to Local Alcoholic Liquor Fund.

(i) Filing of bond by distributor.

New Section 12(a). Each distributor shall affix tax stamps to each original package of spirits or wine for sale to a club by a retailer.

0675 the manner prescribed by the director.

0676 (b) The director of alcoholic beverage control shall provide
0677 for the design and manufacture of the tax stamps required by this
0678 section as necessary to enforce the provisions of this act. All such
0679 stamps shall be dated and numbered serially.

0680 (c) The director of alcoholic beverage control shall issue the
0681 tax stamps provided for by this section only to a distributor.

0682 New Sec. 13. (a) A club licensee, or any employee of a club
0683 licensee, who empties a spirits or wine package to which a tax
0684 stamp has been affixed pursuant to this act shall, immediately
0685 after emptying the package, invalidate the tax stamp on the
0686 package in the manner prescribed by the director of alcoholic
0687 beverage control.

0688 (b) Each club licensee shall provide at all locations on the
0689 club premises where spirits or wine is dispensed the necessary
0690 equipment for invalidating tax stamps so that persons emptying
0691 spirits or wine packages may immediately invalidate the tax
0692 stamps on them as required pursuant to this section.

0693 (c) If an empty spirits or wine package has locked on it an
0694 automatic measuring and dispensing device of a type approved
0695 by the director of alcoholic beverage control, which prevents the
0696 refilling of the package without unlocking the device and re-
0697 moving it from the package, the identification stamp is not
0698 required to be invalidated until immediately after the device has
0699 been unlocked and removed from the package.

0700 New Sec. 14. (a) No club shall knowingly:

0701 (1) Fail to maintain accurate and separate records or allow
0702 inspection of books and records as provided by section 11 and
0703 amendments thereto;

0704 (2) possess or permit any person to possess on the club
0705 premises any spirits or wine on which the tax has not been paid
0706 or to which a tax stamp has not been affixed, as required by this
0707 act, except that before December 1, 1983, a club may have on its
0708 premises spirits or wine purchased by the club prior to October
0709 1, 1983, to which a tax stamp has not been affixed pursuant to this
0710 act; or

0711 (3) possess or permit any person on the club premises to

(b) Design and manufacture of tax stamps.

(c) Director of Alcoholic Beverage Control shall issue tax stamps
to distributor.

New Section 13(a). A club licensee who empties a spirits or wine
package shall invalidate the tax stamp on the package.

(b) Equipment for invalidating tax stamps.

(c) Automatic measuring and dispensing devices.

New Section 14(a). No club shall fail to (1) maintain accurate
records, or (2) possess or permit any person to possess any
untaxed spirits or wine on the club premises, or (3) possess
any empty spirits or wine package on which the tax stamp
has not been invalidated.

0712 possess any empty spirits or wine package on which the tax
0713 stamp affixed pursuant to this act has not been invalidated as
0714 required by this act.

0715 (b) If a club licensed by the director violates any provision of
0716 this section, the director may suspend or revoke the club's
0717 license in accordance with K.S.A. 41-2609 and amendments
0718 thereto or may impose a civil fine on the licensee in the manner
0719 provided by K.S.A. 41-2633a and amendments thereto.

0720 (c) Violation of this section is a class B misdemeanor.

0721 New Sec. 15. (a) No retailer shall knowingly fail to:

0722 (1) Make an accurate report, maintain accurate and separate
0723 records or allow inspection of books and records as provided by
0724 section 11 and amendments thereto;

0725 (2) collect any tax as required by section 10; or

0726 (3) sell to any club any original package of spirits or wine to
0727 which a tax stamp has not been affixed as required by this act.

0728 (b) If a retailer licensed by the director violates any provision
0729 of this section, the director may suspend or revoke the retailer's
0730 license in accordance with the Kansas liquor control act or may
0731 impose a civil fine on the licensee in the manner provided by
0732 K.S.A. 41-328 and amendments thereto.

0733 (c) Violation of this section is a class B misdemeanor.

0734 New Sec. 16. (a) No distributor shall knowingly fail to:

0735 (1) Make an accurate report, maintain accurate and separate
0736 records or allow inspection of books and records as provided by
0737 section 11 and amendments thereto;

0738 (2) collect any tax as required by sections 10 and 11; or

0739 (3) affix to any original package of spirits or wine any tax
0740 stamp required by this act to be affixed to that package.

0741 (b) If a distributor licensed by the director violates any pro-
0742 vision of this section, the director may suspend or revoke the
0743 distributor's license in accordance with the Kansas liquor control
0744 act or may impose a fine on the licensee in the manner provided
0745 by K.S.A. 41-328 and amendments thereto.

0746 (c) Violation of this section is a class B misdemeanor.

0747 New Sec. 17. (a) On October 1, 1983, a tax is imposed on
0748 spirits and wine owned at 12:01 a.m. on October 1, 1983, by a

(b) Suspension or revocation of club license and civil fine.

(c) Violation is a class B misdemeanor.

New Section 15(a). No retailer shall fail to: (1) maintain accurate records, or (2) collect the required tax, or (3) sell to a club any wine or spirits to which a tax stamp has not been affixed.

(b) Suspension or revocation of retailer license and civil fine.

(c) Violation is a class B misdemeanor.

New Section 16(a). No distributor shall fail to: (1) maintain accurate records, or (2) collect the required tax, or (3) affix the tax stamp required.

(b) Suspension or revocation of distributor license and civil fine.

(c) Violation is a class B misdemeanor.

New Section 17(a). A tax is imposed on the inventory of spirits and wine owned by private clubs as of October 1, 1983.

0749 club. The tax shall be at the following rates:

0750 (1) For spirits, \$50 per case; and

0751 (2) for wine, \$1 per liter or fraction of a liter.

0752 If spirits which was purchased by the case is in a quantity less
0753 than a whole case, the tax imposed by this section shall be
0754 proportional to that fractional part of a case owned.

0755 (b) The tax imposed by this section shall be paid by the club
0756 owning the spirits or wine. On or before November 1, 1983, each
0757 club shall make a report to the secretary of revenue, on a form
0758 prescribed and provided by the secretary, showing the total
0759 number of cases of spirits and liters of wine owned by the club at
0760 12:01 a.m. on October 1, 1983. The report shall be accompanied
0761 by payment for the tax due.

0762 (c) If a club licensed by the director fails to make the report
0763 required or pay the tax imposed by this section within the time
0764 prescribed, the director may suspend or revoke the club's license
0765 in accordance with K.S.A. 41-2609 and amendments thereto or
0766 may impose a civil fine on the licensee in the manner provided
0767 by K.S.A. 41-2633a and amendments thereto.

0768 (d) All taxes collected by the secretary of revenue pursuant to
0769 this section shall be paid to the state treasurer, who shall deposit
0770 the entire amount in the state treasury and shall credit $\frac{1}{3}$ of the
0771 amount to the state general fund and the balance to the local
0772 alcoholic liquor fund created by K.S.A. 1982 Supp. 79-41a04 and
0773 amendments thereto.

0774 Sec. 18. K.S.A. 41-1111 and 41-308 and K.S.A. 1982 Supp.
0775 79-3606 and 79-41a01 through 79-41a04 are hereby repealed.

0776 Sec. 19. This act shall take effect and be in force from and
0777 after October 1, 1983, and its publication in the statute book.

The tax rate is: \$50 per case for spirits
\$1 per liter or fraction thereof for wine.

(b) The tax shall be paid by the club and the club shall report
its liquor and wine inventory on or before November 1, 1983.

(c) Failure to report or pay the tax.

(d) Tax to be credited $\frac{1}{3}$ to State General Fund and $\frac{2}{3}$ to
Local Alcoholic Liquor Fund.

Section 18. Repealers.

Section 19. Effective Date -- October 1, 1983.



Attach B

INFORMATION SHEET COMMUNITY BASED MENTAL HEALTH SERVICES

Association of Community Mental Health Centers of Kansas, Inc.
820 Quincy / Suite 416
Topeka, Kansas 66612
(913) 234-4773

WHAT IS COMMUNITY MENTAL HEALTH?

- Under K.S.A. 19-4001 et. seq., 32 licensed community mental health centers (CMHCs) are currently operational in the state. These centers have a combined staff of over 1,300 providing mental health services in every county of the state and are an integral part of the total mental health system of Kansas. Nine of the Kansas centers are comprehensive agencies. Comprehensive centers currently provide the full range of mental health care services. Federal support has been drastically reduced or eliminated, thus posing a very real threat to the continued delivery of some of the services provided by these centers. Medicaid funding for mental health care has been frozen over the past two years.
- The primary goal of CMHCs is to provide quality care, treatment and rehabilitation to the mentally disabled in the least restrictive environment. Many arguments can be advanced for treatment at the community level, chief of which is to keep individuals functioning in their own homes and communities, and at a considerable reduced cost to them and the taxpayer.

WHO NEEDS IT?

- Between 350,000 (15%) to 468,000 (20%) of the Kansas population are suffering from varying degrees of mental disabilities that require treatment.
- Demand for community based mental health care has been growing at an average rate of approximately 12% per year. During times of economic distress, the need for mental health services typically rise dramatically.
- A large number of the CMHC clientele are chronic patients who require ongoing care and treatment.

WHO USES IT?

- In 1982, Kansas CMHCs provided care to approximately 81,000 Kansas citizens. The number of patients has doubled over the past eight to ten years largely as a result of deinstitutionalization. During the period of 1969-1979, the state hospital average daily census declined by more than half. Many of these former hospital patients now rely on CMHCs for mental health services.
- If present trends continue, by 1985, CMHCs will be providing care for over 90,000 Kansas citizens.
- Of the total patients in the public sector having diagnoses of psychotic conditions (severely disabled), over 57% are being served by CMHCs. Ninety percent of the chronically mentally ill seeking public treatment are being served by CMHCs.
- In Kansas, 96.4% of all citizens seeking public mental health care are seen at community mental health centers.
- The major national and state change in mental health care over the last 15 to 20 years has been the shift from state institutional care to community based care.

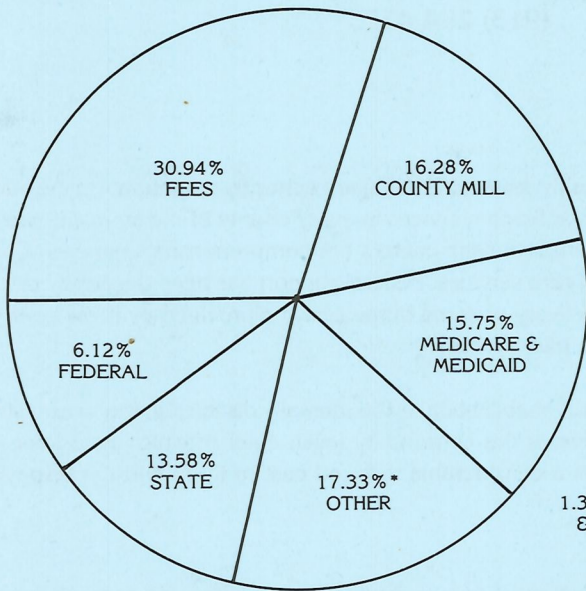
WHO PAYS FOR IT?

- No person, by law, can be denied community mental health care because of the inability to pay; consequently, public support is required.
- In 1981, county mill levies provided CMHCs with approximately \$6 million. County funding is the single largest direct source of public support. Counties currently provide well over \$6 million in support to centers. This works out to over \$2.58 per capita on a statewide basis.
- In FY 1983, direct state support for CMHCs is \$5.6 million. Nationwide, the average state contribution to CMHCs as a percentage of total budget is over 30%. In Kansas, about 14¢ of every CMHC dollar is provided by the state.

Att. B

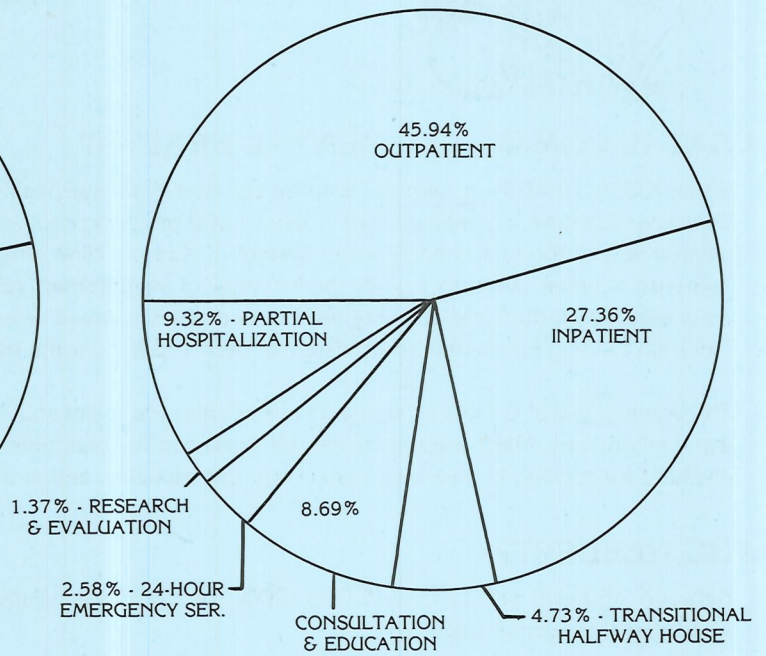
- The majority of CMHC costs were paid from community sources, with the largest share coming from the patient or his/her insurance provider.

CMHC REVENUE



1982 BUDGET ESTIMATE

CMHC EXPENDITURES



1982 BUDGET ESTIMATE



mental health association in kansas

1205 harrison • topeka, kansas • 66612
913/357-5119 800/432-2422

Affiliate of the National Mental Health Association

Attach C

EXECUTIVE COMMITTEE

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Clinton D. Willisie, A.C.S.W.
Wichita

I am Harriet Griffith, Chairman of the Legislative Action Committee of the Mental Health Association in

Kansas. I am here in support of the passage of SB 429.

This does not create a new tax, but makes more efficient the collection of the existing tax.

We urge your vote for this bill because it will provide for \$900,000 to be used for Mental Health and Retardation Services in your communities.

This measure would also provide for better distribution of funding for both state and local alcohol treatment services.

Thank you for allowing me to bring the Mental Health Association position to your attention.

Attach C

Attach D

Kansas Recreation and Park Association

Comments opposing Substitute SB 429 - Federal and State Affairs Committee Hearing
State House - Tuesday, April 19, 1982
Don M. Jolley, Director of Community Services, Salina

Mr. Chairman, members of the committee, ladies and gentlemen.

I am Don Jolley, Director of Community Services for the City of Salina and spokesman here today for the KRPA. My colleague and I have come here to voice strong opposition to the provisions of Substitute, Senate Bill #429.

You may remember us. We stood here just one year ago to oppose HB 3038, a bill which, at that time, would have deleted park and Recreation Departments from among the four eligible entities to receive a portion of the local liquor tax, and now SB 429 is playing the same tune. "Cut parks and recreation out altogether," A year ago, our portion was reduced from one third to 25% but at least we were able to convince most of you of our need for these funds and our legitimate right to receive them.

If those who have created and supported SB 429 have their way, what will happen?

1. The state will receive a third instead of a fourth. We have no quarrel with this.
2. City and County general funds would do the same.
3. Alcohol and drug treatment programs would also.
4. We on the otherhand, would receive nothing.

Such a scenario would be bad enough under present revenues, but the bill presumably would raise total revenue to something like \$13 million. Thus revenue for three of the four entities would increase about \$2 million each while we are reduced to -0-.

We were told a year ago and are being told again that the real way to deal with alcohol and drug abuse problems is increased funding, increased funding which would be at our expense. At the same time, in most of our communities surpluses exist in the drug and alcohol funds.

Such presumptions are an injustice to the programs, services and facilities

Attach. D

provided by our commissions and departments across the state. We have heard the questions, time and again.

Why should parks and recreation get any of these funds?

What do they do to reduce or eliminate problems created by these abuses?

Let me try to supply an answer. State and private agencies providing treatment programs use funds extensively to secure and supervise public and private recreation facilities in the communities in which they operate. More often than not, those facilities are provided by our departments. They are used to house recreation programs conducted for treatment purposes. In my city alone we work with the CKF and St. John's Hospital in providing services and facilities for their patients. If recreation is a legitimate means of treatment, then it must likewise be a legitimate means of prevention. We believe that it is, and we believe that those funds we receive from this tax helps to provide wholesome alternatives to drugs and alcohol, therefore reducing admissions to institutions and treatment centers.

The legislature felt it was right in 1979 to include parks and recreation as a beneficiary of this tax. Their judgment was sound, for we have used these funds frugally and effectively to provide all our citizens, including the drug and alcohol dependent, with the best possible services and programs to meet their needs and solve their problems. We respectfully ask that you not change that now. We ask that you amend this bill, keeping us in it as before. Recreation can help in this great social effort, if given the resources with which to do so.

The Department of Revenue in order to identify and collect the taxes imposed by SB 429, as amended, will require that retailers and clubs also file returns.

Attach E

These returns will be used to cross check and verify reporting of these taxes. Discrepancies would then be identified and corrections made.

Personnel in the Sales & Excise Tax Bureau would be needed to conduct desk audits on 1200 private clubs, 700 retailers & 15 distributors to insure accuracy in their tax reporting. Personnel in Quality Control would be needed to correct and account for these returns along with distributing monies collected. Personnel in the Division of the Alcoholic Beverage Control would be required to perform the duties of mailing and accounting for stamps sent to retailers and for typing correspondence to retailers. In order to accomplish this the Department requests the following costs:

| | <u>FY 1984</u> |
|--|-----------------|
| <u>Salaries & Wages</u> | |
| Sales & Excise Tax Bureau | |
| 2 Tax Examiner I | \$23,064 |
| 1 Clerk Typist II | 9,244 |
| Quality Control Bureau | |
| 1 Account Clerk II | 12,004 |
| 1 Clerk III | 10,588 |
| Alcoholic Beverage Control | |
| 1 Account Clerk II | 12,004 |
| 1 Clerk Typist II | 9,244 |
| Total Salaries & Wages | |
| (Salaries & Wages Computed for 9 months in FY 84) | <u>\$76,148</u> |

| | |
|---|---------------|
| <u>Contractual Services</u> | |
| 2 Telephone Installations @ \$125 ea. | \$ 250 |
| 2 Electrical Outlets @ \$36.50 ea. | 73 |
| 2 Telephone Holes @ \$21 ea. | 42 |
| Monthly Service Charges 2 phones \$25/mo/phone (9 months FY 84) | 450 |
| Total Contractual Services | <u>\$ 815</u> |

| | |
|---|-----------------|
| <u>Capital Outlay</u> | |
| 5 Calculators @ \$135 ea. | \$ 675 |
| 2 Typewriters @ \$982 ea. | 1,964 |
| 6 Desks, Executive @ \$272 ea. | 1,632 |
| 1 Desk, Secretarial @ \$375 ea. | 375 |
| 5 Chairs, Swivel @ \$122/ea. | 610 |
| 2 Chairs, Steno @ \$75/ea. | 150 |
| 5 File Cabinets, 5 Drawer Letter @ \$152 ea. | 760 |
| Total Capital Outlay | <u>\$ 6,166</u> |

| | |
|----------------------------|-------|
| <u>Commodities</u> | |
| 3,000 Notices @ \$0.01 ea. | \$ 30 |

Attch. E

Estimated taxes to the state on an annual basis if this bill is enacted:

A. Tax on spirits collected by distributor: \$6,646,822
B. Tax on wines collected by distributor: \$ 942,670
TOTAL collected by distributor: \$7,589,492

C. Tax on beer collected by clubs: \$1,726,447
D. Tax on CMB collected by clubs: \$2,301,930
TOTAL Beer & CMB Tax: \$4,028,377

TOTAL Estimated tax to State: \$11,617,869

In computing tax for FY 84, if the bill is effective October 1 1983, four (4) months (July, August, September and October) would be based on the 10% gross receipts tax on spirits, wine and strong beer and the last eight (8) months would be computed based on the tax plan of this bill, that is, spirits and wine at 50% of the wholesale case cost and beer or cereal malt beverage at the 10% gross receipts tax.

A. For the first four (4) months: \$3,066,667
1. Spirits, wine, strong beer
(\$9,200,000 estimated receipts divided
by 12 x 4)
2. Cereal malt beverage: -0-
TOTAL first four (4) months: \$3,066,667

B. Last eight (8) months: \$5,059,661
1. Spirits and wine (7,589,492 divided
by 12 x 8)
2. Strong beer \$1,150,968
3. Cereal malt beverage \$1,574,620
TOTAL last eight (8) months: \$7,785,249

TOTAL FY 84: \$ 3,066,667
\$ 7,785,249
\$10,851,916

| | |
|-------------------------------|--------------------|
| 3,000 Envelopes @ \$5.95/1000 | 17.85 |
| 3,000 First Class Postage | |
| Mailing @ \$0.20 ea. | 600 |
| Other Postage | 1,500 |
| Tax Stamps | 4,000 |
| Misc. Office Supplies | 500 |
| Total Commodities | \$ 6,647.85 |

FY 1984

| | |
|----------------------------|--------------------|
| Total Salaries & Wages | \$76,148 |
| Total Contractual Services | \$ 815 |
| Total Capitol Outlay | \$ 6,166 |
| Total Commodities | \$ 6,647.85 |
| Total FY 1984 costs | \$89,776.85 |

Michael Lennen
Kansas Department of Revenue

ML:JVR:mks/C243/7

Attach F

COMPUTATIONS
FOR
ARRIVING AT WHOLESALE CASE COST

RE: New Section 10

1. Spirits and wine have been removed from the gross receipts tax collected from consumers by clubs and instead will be taxed at the rate of 50% upon the wholesale case price to the retailer. The tax is added to the purchase price of the product by the distributor and collected from the retailer who in turn will collect it from the club.
2. Total purchases of spirits and wines amounted to \$19,266,049 (total purchases of spirits and wine less strong beer.) To arrive at the wholesale case cost, the minimum percentage mark-up, which is added to the bottle cost to the retailer, and the 10% caselot discount must be removed from the \$19,266,049. Wholesale case cost to retailer for spirits and wine are:

| | |
|--|--------------|
| Total spirit sales at wholesale case price to retail = | \$13,293,643 |
| Total wine sales at wholesale case price to retail = | 1,885,340 |
| Total spirits and wine at wholesale price = | 15,178,983 |
| 50% tax to the state should amount to = | 7,589,452 |

COMPUTATION

1. Total sales of alcoholic liquor to include strong beer by retailers to private clubs are estimated to be \$25,020,973 for FY 83.
 - 66% of the sales to clubs were spirits.
 - 11% of the sales to clubs were wine.
 - 23% of the sales to clubs were strong beer.

Cereal malt beverage is not sold by retail liquor stores to clubs and is not included in the 25 million.
2. This amendment provides that the 50% is on the wholesale case price of all spirits and wine purchased by the club, therefore, the total dollar value of purchases will have to be reduced by the minimum percentage mark-up of the retailer based on bottle cost less case-lot discount.

Attch. F

SPIRITS

Wholesale case cost to retailer = \$13,293,643

Computation

66% of \$25,020,973 = \$16,513,842

less 28½% mark-up on bottle cost

allow 1% more for bottle cost

Totals 29½% less 10% caselot discount = 19½%

19½% of \$16,513,842 = \$3,220,199

Total spirits at wholesale = \$16,513,842 less \$3,220,199 = \$13,293,643

50% = \$6,646,822

WINE

Wholesale case cost to retailer = \$1,885,340

11% of \$25,030,973 = \$2,752,307

less 40.5% markup on bottle cost to retailer.

allow 1% more for bottle cost or 41.5%

total 41.5% less 10% caselot discount = 31.5%

31.5% of \$2,752,307 = \$866,967

Total wine at wholesale = \$2,752,307 less \$866,967 = \$1,885,340

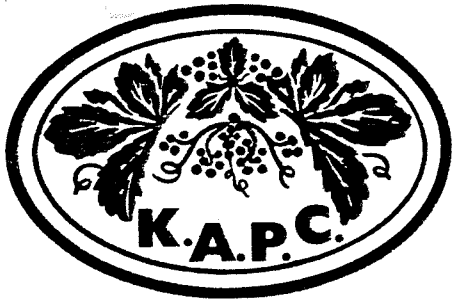
50% = \$942,670

RECAP: Spirits at wholesale \$13,293,643

Wine at wholesale 1,885,340

TOTAL spirits & wine at wholesale \$15,178,983

50% Tax \$ 7,589,492



Attach G

Kansas Association of Private Clubs

(913) 357-7642 • 117 W. 10TH ST. • TOPEKA, KS 66612

April 19, 1983
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE
SB 429

Mr. Chairman, Members of the Committee, my name is Jack Milligan. I appear this morning in behalf of the Kansas Association of Private Clubs in support of SB 429 predicated on its inclusion of several items:

- 1) a per case tax at 50% of the wholesale price whether it is stamped at the wholesale or retail level.
- 2) a 15% minimum mark up for all club purchases
- 3) delivery to private clubs

We recognize the merits of a tax collections system via 15 wholesalers or a couple of hundred retailers selling at consistent prices rather than 1200 plus clubs selling at a myriad of prices, and giveaways in some instances such as two or three drinks for the price of one. Needless to say the states job of actually collecting the drink tax, in whatever form, will become easier than under the current system with a 10% drink tax. I might add Mr. Chairman, if given the opportunity to choose between stamping the bottles, and collecting and remitting the tax at the wholesale or retail level, we would prefer the retail level as it would afford the clubs more accessibility to the product due to the manner in which wholesalers deliver to retailers. It would not change the retailers considerations when placing orders with wholesalers for club purchases.

Mr. Chairman, I wish to emphasize any support we generate in behalf of SB 429 is predicated on the percase tax being assessed at 50% of the wholesale price, not a flat rate tax at \$50 per case as briefly discussed by the Senate Ways & Means subcommittee that originally developed SB 429. The \$50 per case

Attach. G

is grossly excessive and unacceptable. It would also create problems and confusion when the wholesaler runs a special on a case of 12 liter bottles one month, and a case of 6 1.75 liter bottles the next. Needless to say this would not be uniform taxation.

We support the language in Section 2 of the bill setting the minimum mark-ups a retailer may charge a club at 15% above their cost. Current minimum mark-ups are 28.5% for spirits, 36.5% for cordials, and 45.5% for wines, minus the 10% discount for case lot or more purchases. Please note a 10% case lot discount is available to anyone whether you purchase a \$75 case or \$75,000 of liquor each year. Needless to say a volume purchase break is blatantly missing. A 15% minimum mark-up would permit clubs to purchase spirits for only a couple of percentage points less than the current formula. However, the 15% minimum mark-up would provide long over due and badly needed reductions for wines and cordials.

It seems a 15% minimum guarantee is more than sufficient for simply placing a club order with a wholesaler. Unlike the retailer with a guaranteed mark-up, the clubs compete in the purest sense of the word with no guarantees. When did you ever have a retailer offer to sell you two bottles or two cases for the price of one. Clubs compete on this basis regularly.

We also support the language contained in Section 3 permitting retailers to deliver to clubs. I am happy to report this is one area the clubs and retailers have agreed on all session. In fact this is being done in many instances throughout the state.

We also are less than pleased with the 10% excise tax assessed on sales of cereal malt beverage in clubs in this bill. CMB is not an alcoholic beverage as defined by Kansas statutes. Clubs are already paying state and local sales tax on CMB and the imposition of a 10% excise tax is simply a tax increase. In fact we are concerned the bill is written to assess state and local sales tax as well as the 10% excise tax contained in Section 6 of the bill. This was not the intent of the Senate subcommittee when they developed this bill.

And finally Mr. Chairman, we encourage the committee to amend the bill on page 21, line 750 to assess a \$40 per case tax rather than a \$50 per case tax. This section was included to temporarily tax all club inventory on hand at the time this act becomes law so the clubs current inventory will not go untaxed.

Thank you for the opportunity to appear this morning. I will be happy to address any questions you might have.

**Kansas
Citizens
Advisory
Committee on Alcohol and other Drug Abuse**

Attach H

P.O. BOX 4052 TOPEKA, KANSAS 66604

April 19, 1983

TO: House Federal & State Affairs Committee

FROM: *Ronald L. Eisenbarth*
Ronald L. Eisenbarth, Chairperson - Kansas Citizens Advisory
Committee on Alcohol and other Drug Abuse

SUBJECT: Substitute Senate Bill 429

The Kansas Citizens Advisory Committee on Alcohol and other Drug Abuse is designated by Kansas Law to be Advisory to the Commissioner of Alcohol and Drug Abuse Services on behalf of the Secretary of the Department of Social and Rehabilitation Services with regards to the needs of services for Alcohol and other Drug Abuse in the State of Kansas. The Committee has 25 members representing the entire State.

I appreciate this opportunity to express the full support of the Citizens Committee of Substitute Senate Bill 429.

This proposed legislation changes the collection of tax method on liquor sold in private clubs. The primary responsibility would be shifted from the club level to the distributor. A tax stamp issued by the Director of Alcoholic Beverage Control to the distributor will be affixed to each package of spirits or wine purchased by a retailer for sale to a club. This will allow effective monitoring of the collection of the tax. This new method will cut down abuse of the present system and it is estimated it will collect an additional \$3 million not previously collected.

Senate Bill 429 also places a 10% tax on beer and cereal malt beverages sold in private clubs. The new tax is estimated to generate an additional \$1.7 million in revenue.

This proposed legislation also limits the allocation of the Local Government Alcohol and Drug prevention and treatment fund to programs licensed or certified by the Commissioner of Alcohol and Drug Abuse Services of the Department of Social and Rehabilitation Services. This should eliminate these funds being allocated to agencies and programs not providing specific services in the area of alcohol and other drug abuse.

The above changes in the Current Law which are all addressed in Senate Bill 429 will make additional funding available to alcohol and drug abuse programs at the local level.

Alch. H

These programs are in need of additional funds due to decreases in federal funding the past two (2) years and increased costs of providing services to clients. Programs are serving more clients with little or no ability to pay for services. Also, the new drunk driving legislation is helping to identify more problem drinkers and referring many of them to treatment agencies. Nationwide and local publicity in areas such as alcohol and drug abuse in youth and drinking and driving is making the citizens of Kansas more aware of the need for alcohol and drug abuse prevention and is helping those persons who already have problems with alcohol or other drugs become aware and seek help at an earlier stage of the illness. This is resulting in more demands on the alcohol and drug prevention and treatment system. The additional funds generated by Senate Bill 429 will help the local alcohol and drug abuse programs meet that demand.

We urge your support and ultimate passage of Substitute Senate Bill 429, as we believe this will provide for much needed care for Alcoholics, Drug Abusers, and their families as well as strengthen the present law to provide assurance that funds will be allocated in accordance with Legislative intent.

Thank you for the opportunity to provide these comments. If I can provide further information or answer questions on the above, I would be most happy to oblige.

My office phone number in Topeka is (913) 234-3448.

Kansas Citizens Advisory

P.O. BOX 4052 TOPEKA, KANSAS 66604

Committee on Alcohol and other Drug Abuse

FACTS ABOUT ALCOHOL AND OTHER DRUG USE AND ABUSE

ALCOHOL AND OTHER DRUG COSTS - FINANCIAL AND HUMAN

1. The Department of Health and Human Services projects the total cost to society, as a result of alcohol and drug abuse, to be \$53 billion annually. Of the \$53 billion, at least \$15 billion annually is lost just in the areas of medical and public assistance expenditures, working time, and police and court costs. The \$53 billion total cost of alcohol and drug abuse exceeds the estimated cost to society as a result of mental illness by 71%; yet national funding for alcohol and drug abuse programs is only 10% of that for mental illness. (1 and 2)
2. Alcoholism is the third major health problem behind heart disease and cancer. (3)
3. Alcohol abuse and alcoholism is the number one health problem for Black Americans. (4)
4. One out of every 750 babies is born with FAS (Fetal Alcohol Syndrome). FAS is one of the few preventable major birth defects. (5)
5. Over the past 10 years, the proportion of highway deaths involving alcohol has averaged a tragic 25,000 per year. Kansas deaths in such accidents in 1981 totalled 210. (7 and 8)
6. Between 45% and 60% of all fatal crashes involving a young driver are alcohol related. (6)
7. In 1981 in Kansas, there were 775 alcohol related traffic accidents which resulted in 35 fatalities and 110 incapacitating injuries for persons 14-18 years old. (9)
8. Some social implications of alcohol abuse are: Between 50 and 68 percent of drowning victims had been drinking; between 25 and 37 percent of successful suicides involved alcohol; a divorce rate of 40 percent occurs among families experiencing alcohol problems; almost 26 percent of adult fire deaths involved alcohol; estimates suggest that alcohol may play a role in as many as one third of all reported cases of child abuse. (10)
9. Nearly one-third of state prison inmates in a pioneer federal survey said they drank heavily every day or nearly every day during the year preceeding committing the crimes. (18)
10. The number of motor vehicle fatalities in Kansas changed dramatically from 1981 to 1982, dropping from 578 to 486, while more miles were traveled. This improvement is attributed to a variety of factors, such as: better law enforcement practices; voluntary compliance with laws and safety measures; enhanced public awareness of highway traffic issues; and, the passage of a new drinking and driving statute. (19)

ALCOHOL AND OTHER DRUG USAGE

- 11. About 70% of the adult U.S. population drinks alcohol. (6) p.19
- 12. Approximately 10% of adult American drinkers are likely to experience either alcoholism or problem drinking at some point in their lives. (6) p.3
- 13. Alcohol Abuse troubles one of three U.S. families and is considered a major problem by more than 80% of the population. (20).
- 14. It is estimated that in Kansas there are 154,715 problem drinkers. Since each person with alcohol related problems conservatively affects at least 4 other people, an estimated 773,575 Kansans are directly affected by alcohol related problems. (11)
- 15. Only 3-5% of the alcoholics are found on Skid Row. Most people with alcohol related problems are still working and have a family. They are of all economic, social, religious, ethnic and racial backgrounds. (12)
- 17. More than 75% of youth drink by age 16. (9)
- 18. The mean age of first use of alcohol by Kansas students is 11. (16) p. 11-48
- 19. Roughly two-thirds of all American young people (64 percent) try an illicit drug before they finish high school. (21)
- 20. More than one-third of American young people have used illicit drugs other than marijuana. (21)
- 21. At least one in every 16 high school seniors is actively smoking marijuana on a daily basis, and fully 20 percent have done so for at least a month at sometime in their lives. (21)

TREATMENT ADMISSION DATA FOR KANSAS FACILITIES

- 22. There are approximately 23,227 admissions annually to alcohol and other drug abuse treatment facilities in Kansas. (13)

The admissions to treatment facilities, by age category, ethnicity, and sex are as follows:

| | | | | | | |
|------|-------|-------|----------|-------|--------|-------|
| Age | 1-16 | 4.2% | White | 89.1% | Male | 76.6% |
| | 17-20 | 10.9% | Black | 6.2% | Female | 23.4% |
| | 21-30 | 33.5% | Indian | 2.2% | | |
| | 31-40 | 21.7% | Hispanic | 2.0% | | |
| | 41-50 | 15.2% | Other | 0.4% | | |
| | 51-65 | 12.7% | | | | |
| Over | 65 | 1.9% | | | | |

TREATMENT WORKS

23. Average income of substance abuse clients more than doubled between their admission to treatment and six months after leaving treatment, according to a follow-up survey conducted by the Michigan Office of Substance Abuse Services. Average income increased from \$3,825 at admission to \$8,486 six months after leaving treatment. (14)

FUNDING (15)

24. State funding for alcohol and drug abuse programs, through the Alcohol and Drug Abuse Services' budget, decreased from \$1,910,800 in FY 1981, to an estimated \$1,483,300 for FY 1984, a decrease of \$427,500.
25. During the same period of time, federal funding for alcohol and other drug abuse programs in Kansas decreased from \$2,027,200 to \$1,408,725, a loss of \$618,475.
26. The combined decrease in federal and state funding for alcohol and other drug abuse programs from FY 1981 through projected FY 1984 funding, totals \$1,225,975 including \$180,000 of materials and supplies previously provided directly by the federal government.
27. The funding allocated to treatment programs is \$2,045,216, or 85.8%, for FY 1982; for prevention programs for same year the amount is \$338,757, or 14.2%.

ADVERTISING

28. The beverage alcohol industry spent \$903.1 million in 1980 on advertising on radio, newspapers, magazines and billboards. (17)

DATA SOURCES

1. P.L. 91-616 - Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act, 1970 (As amended in 1976 and 1979)
2. Dept. of H.H.S., Public Health Service, National Data Book, 1980.
3. Fact Sheet - Kansas Commission on Alcoholism
4. NCA Reports - Position Paper on Alcoholism and Racial Minorities, June, 1980
5. NIAAA 1982 Fetal Alcohol Syndrome Fact Sheet
6. National Institute on Alcohol Abuse and Alcoholism - 4th Special Report, 1981
7. National Highway Transportation Safety Act, Alcohol Highway Safety Program Plan, September 1981.
8. Kansas Highway Patrol
9. NIAAA 1982 Youth Campaign Fact Sheet
10. NIAAA Fact Sheet, October, 1981
11. SRS/Alcohol and Drug Abuse Services, 10/82, based on Mardin Formula and 1980 Kansas Population.
12. Drinking Myths by Operation THRESHOLD, United States Jaycees
13. SRS/ADAS Management Information System, 10/82
14. The Alcoholism Report, January 15, 1982
15. Alcohol and Drug Abuse Services Budget Documents for FY 1981 - FY 1984
16. 1977, Comprehensive Study of Drug and Alcohol Use in Kansas: Present Patterns, Attitudes and Changes in Use, Executive Summary, Interamerica Research Associates, 932 Massachusetts, Lawrence, KS 66044.
17. Alcohol Research Information Service, August 31, 1981
18. AP - 1/31/83, Prisoners an Alcohol, U.S. Dept. of Justice.
19. The Governor's 1983 Legislative Message.
20. Gallup Poll - U.P., Nov. 16, 1982.
21. NIDA Survey, February, 1983.



**Kansas
Alcoholism
Counselors
Association**

Attach I

(913) 234-3448

1318 Fillmore, Topeka, KS 66604

April 19, 1983

TESTIMONY

TO: The House Federal and State Affairs Committee

FROM: Glenn Leonardi - Representing, Kansas Alcoholism Counselors Association *g.L.*

SUBJECT: Substitute for Senate Bill No. 429

I appear before you today on behalf of the Kansas Alcoholism Counselors Association (K.A.C.A.) to voice our association's full support of Substitute for Senate Bill No. 429.

The Kansas Alcoholism Counselors Association is an organization of over 200 certified alcoholism counselors representing the entire state of Kansas. The association's purpose is to develop and maintain professional standards for alcoholism counselors and to insure delivery of quality services by the members of this profession.

The nature of K.A.C.A. membership affords our association a very current and accurate awareness of the needs of Kansans experiencing alcohol and other drug related problems along with a continuous assessment of the availability and appropriateness of services oriented to meeting those needs.

K.A.C.A. urges the members of this committee to consider the following facts in your deliberations relative to this piece of legislation.

Nationally

- Alcoholism is our nation's third major health problem behind heart disease and cancer.
- Alcohol abuse costs the nation over 15 billion dollars annually in lost work time, medical and public assistance expenditures and police and court costs.
- Over three million young people in this country (ages 14-19) are experiencing alcohol related problems.
- 300,000 new people each year are affected by alcoholism.

In Kansas

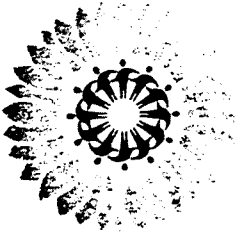
- In 1982 our treatment facilities served over 23,000 clients. Over 80% of these were new clients.
- Our school based and community based prevention and education programs encountered between 65,000 and 85,000 Kansans in 1982.

Attach I

Testimony to:
House Federal and State
Affairs Committee
Page Two of Two

The Kansas Alcoholism Counselors Association strongly believes that it is essential to at least maintain both the quality and quantity of alcoholism and other drug related services available in Kansas. Your support of this Bill will enable Kansas to do so.

The Kansas Alcoholism Counselor Association respectfully requests your support and ultimate passage of Substitute for Senate Bill No. 429.



Attach J
**Kansas Association of
Drug Abuse Counselors**

April 19, 1983

TESTIMONY

TO: The House Committee on Federal and State Affairs

FROM: Liz Meyer - Representative of the Kansas Association of Drug Abuse Counselors

SUBJECT: Substitute for Senate Bill No. 429

I appear before you today on behalf of the Kansas Association of Drug Abuse Counselors (K.A.D.A.C.) to voice our support of Substitute for Senate Bill No. 429.

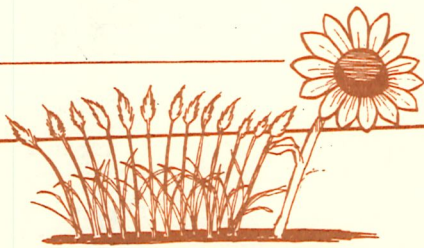
Our Association's membership is in full support of this measure to insure the continued funding of the programs in which we work. Our membership continues to strive for optimum care of those individuals we treat and we have felt that with shrinking dollars the care available could be seriously damaged.

It is K.A.D.A.C.'s belief that the bill before you can help to ensure treatment for those Kansans who are in need, without burdening the tax payers with an extra tax.

The Kansas Association of Drug Abuse Counselors strongly believes that it is essential to at least maintain both the quality and quantity of alcoholism and other drug abuse related services available in Kansas. Your support of this Bill will enable Kansas to do so.

The Kansas Association of Drug Abuse Counselors respectfully requests your support and ultimate passage of Substitute for Senate Bill No. 429.

Atch. J



Attach K

Kansas Association of Alcohol and Drug Program Directors

April 19, 1983

TO: Representative Neal Whitaker, Chairman, Federal & State Affairs
FROM: George Heckman, Chairman, KAADPD Legislative Committee
RE: Sub. SB 429

The Kansas Association of Alcohol and Drug Program Directors represents forty five (45) agencies providing alcohol and drug abuse services in our state. The member agencies operate treatment, prevention and alcohol and drug safety action programs in a variety of settings throughout our state.

Our association strongly supports Sub. SB 429. This legislation provides a more efficient collection mechanism for the liquor tax in private clubs and increases the share of funds going to the state general tax fund, local alcohol and drug programs and the local general fund.

In these times of tight budgets and limited tax dollars, this effort to change the collection mechanism for an existing tax to provide better collection deserves support. I would also hope that the committee will give this measure prompt attention to permit action during the cleanup session.

Atch. K

Attach L

Kansas Community Alcohol Safety Action Project

2200 West 25th Street, Lawrence, Ks. 66044, (913) 841-2880

April 18, 1983

KANSAS COORDINATORS OF ALCOHOL SAFETY ACTION PROJECTS

Rep. Neal Whitaker - Chairman
c/o House Federal & State Affairs Committee
Topeka State Capitol
Topeka, KS 66612

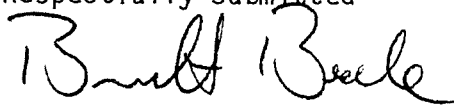
Re: Sub. SB 429

Dear Committee Members,

Our association represents 21 drunk driving programs throughout the state. We are responsible for evaluating over 10,000 drunk driving offenders per year. Sub. HB 2132 which became laws last week allows that local ASAP programs may be certified by local court districts. We support Sub. SB 429, but would ask that line 0522 be ammended to include "court certified ASAP programs". Currently Sub. SB 429 only allows for SRS licensed or certified programs to be eligible for local funding.

Many of our ASAP programs are unable to operate solely on the evaluation fees they receive. Sub. SB 429 would be a tremendous help to these programs on a local level. We hope that you give this bill favorable consideration.

Respectfully Submitted



Bruce H. Beale
Chairman

Attach. L

THE STATE OF KANSAS

Attach m

Eleventh Judicial District

CHEROKEE, CRAWFORD, LABETTE, NEOSHO, WILSON COUNTIES

RICHARD D. LOFFSWOLD
ADMINISTRATIVE JUDGE

GIRARD, KANSAS
66743

316-724-6213

April 15, 1983

11th Judicial ASAP
E. David Gorrell, C.A.C.
Program Coordinator
P.O. Box 185
Independence, KS 67301

In Re: Substitute for SB No. 429

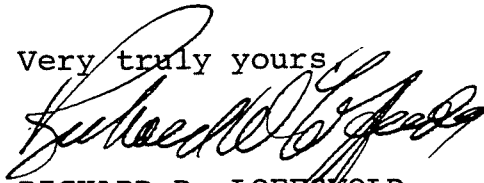
Dear Mr. Gorrell:

As Administrative Judge and Project Director of the 11th Judicial ASAP, I herewith request and authorize you to appear before any Kansas Legislative Committee and present the views of the 11th Judicial District concerning substitute for SB 429.

As you are quite aware, the 11th Judicial District is in support of the sub. for SB 429 except in one aspect. Section 8 of this bill provides for distribution of moneys to cities and counties for "the purchase of services from or the establishment, maintenance or expansion of alcohol and drug abuse prevention or treatment programs licensed or certified by the Commissioner of Alcohol and Drug Abuse Services of The Department of Social and Rehabilitation Services." It is our view that this portion of the bill be amended to be consistent with sub. for H.B. 2132 wherein the local alcohol and drug programs be certified either by the Administrative Judge of the Judicial District or by the Secretary of Social and Rehabilitative Services if the Administrative Judge declines to certify. Both bills should be the same to avoid confusion but more over it is by far the better procedure to insure effective programs throughout the state to meet the needs of the local community.

I am confident that you will convey our position accurately, clearly and ably.

Very truly yours



RICHARD D. LOFFSWOLD
Administrative Judge
11th Judicial District

RDL/ns

Attach. m

TC

DATE: March 28, 1983

Phil Webber
FROM: Phil Webber, Executive Director, N.C.I.

Atch N
RE: Alcohol Surtax Funds

On February 7, 1983 the enclosed legal notice was published in the newspaper stating that applications were due March 1, 1983, at 12:00 noon.

On March 26, 1983, we discovered an advertisement under "Special Notices" in the Classified Section of the newspaper, extending the deadline for application to April 1, 1983.

We have also been informed, by interested parties, that other agencies in the community have (since the March 1 deadline) been contacted, both verbally and by letter, asking if they care to submit application - one, to note - St. Mary of the Plains College.

Our application was in by the deadline. Everyone else had the opportunity to do the same. This is just one more example of the inequity SB 888 creates in this community.

Atch. N

(First Published in the Dodge City Daily Globe
February 7, 1983)

The City of Dodge City is now accepting applications for funding under SB 467 which administers Alcohol Surtax Funds. Pursuant to KSA 1981 Supp. 79-41a03 and 79-41a04, the Alcohol Surtax Funds received by the City are to be expended only for the purchase, establishment, maintenance or expansion of services or programs of alcoholism and drug abuse prevention and education, alcohol and drug detoxification, intervention in alcohol and drug abuse or treatment of persons who are alcoholics or drug abusers.

The City expects to receive approximately \$50,000 for said programs during 1983. Applications for the 1983 distribution of these funds may be obtained from:

City Manager
City of Dodge City
705 First Avenue
Dodge City, KS. 67801
(316) 225-1391

Deadline for applications is Noon on Tuesday,
March 1, 1983.
S-T-Con.

DODGE CITY

DAILY GLOBE

CLASSIFIED SECTION

SATURDAY, MARCH 26, 1983 DODGE CITY DAILY GLOBE

(1A) SPECIAL NOTICES

The City of Dodge City has extended the deadline for applications for funding under SB 467 which administers Alcohol Surtax Funds. Pursuant to K.S.A. 1981 Supp. 79-41a03 and 79-41a04, the Alcohol Surtax Funds received by the City are to be expended only for the purchase, establishment, maintenance or expansion of services or programs of alcoholism and drug abuse prevention and education, alcohol and drug detoxification, intervention in alcohol and drug abuse or treatment of persons who are alcoholics or drug abusers.

The City expects to receive approximately \$50,000 for said programs during 1983. Applications for the 1983 distribution of these funds may be obtained from and returned to:

City Manager
City of Dodge City
701 First Avenue
Dodge City, Ks 67801
(316) 225-1391

The new deadline for applications is 5:00 p.m. On Monday, April 4, 1983.

1A-91

TC _____

DATE: March 28, 1983

FROM: _____

RE: _____

The attached letter was sent to the following:

Senator Ross Doyen

Senator Paul Hess

Senator Joseph C. Harder

Senator Gus Bogina

Senator Frank Gaines

Senator Ron Hein

Senator Billy McCray

Senator Jack Steineger

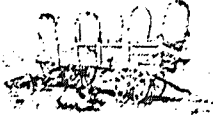
Senator Bob Talkington

Senator Joe Warren

Senator Merrill Werts

All are members of the Senate Ways and Means Committee.

NEW CHANCE, INC.



COMMUNITY ALCOHOL-DRUG RECOVERY CENTER

BOX 43

DODGE CITY, KANSAS 67801

March 25, 1983

PHIL WEBBER A/B C.A.C.
Executive Director
316-225-0476

ADMINISTRATIVE OFFICES
201 East Wyatt Earp Blvd
316-225-0476

TREATMENT PROGRAM
201 East Wyatt Earp Blvd.
316-225-0476

MEDICAL SERVICES COORDINATOR
Joan McCarthy, R.N.

TREATMENT PROGRAM DIRECTOR
Billye Pope C.A.C.

RESIDENTIAL COMPLEX
DETOXIFICATION
314 Military
316-225-3779
24 Hour Phone

OUT-PATIENT TREATMENT
201 East Wyatt Earp Blvd.
316-225-0433

COURT REFERRAL SERVICE
Alcohol Info School
201 East Wyatt Earp Blvd.
316-225-0489

COMMUNITY AWARENESS
AND EDUCATION
201 East Wyatt Earp Blvd.
316-225-0489

EMPLOYEES ASSISTANCE
PROGRAM
Industrial Counseling
201 East Wyatt Earp Blvd.
316-225-0433

24 Hours/225-3779

Senator Ross Doyen
President of the Senate
Room 207-04, State Capitol Bldg.
Topeka, Kansas 66612

Dear Senator Doyen:

From time to time a bill gets through the legislature that really doesn't provide what it was intended to provide. Senate Bill 888 is just such a bill.

A lot of funds sorely needed by the alcohol/drug agencies throughout the state are being squandered by the insensitive distribution of those funds to agencies and organizations who could care less about the alcoholic and drug addict. Local control of distribution of alcohol/drug funds has been a failure. City/County governments are not aware of these problems as being legitimate illnesses, nor are they able, in many cases, to understand the need for treatment. The shorter local budgets get, the more tempting these funds will be.


I have put together a most comprehensive chronological report which will project to you a blow by blow account of the kinds of abuses we have experienced just trying to get some of the local liquor tax money. Please read it!

If the law is going to be allowed to stand, then please insert a clause allowing only licensed and certified programs to receive funds.

The most humane thing you could do would be to pull all of the SB 888 money out of the City/County control and let the Alcohol/Drug Abuse Section of SRS control and distribute the funds.

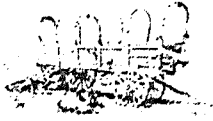
Please read the report - your hair will stand on end!

Sincerely,


Phillip Webber, A/B C.A.C.
Executive Director

PW:kw

NEW CHANCE, INC.



COMMUNITY ALCOHOL-DRUG RECOVERY CENTER

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316-225-0433

24 Hours/225-3779

SENATE WAYS AND MEANS COMMITTEE

Chairman and Committee Members:

In the spring of 1979 and in anticipation of "467" monies - New Chance, Inc., presented a request for these funds to the City of Dodge City through the Human Resources Development Committee, which is the Social Services Arm of the Community Action Council. It was proposed to us that we could trade Revenue Sharing funds in the amount of \$8,600.00 per year. We agreed (with no other choice) to accept Revenue Sharing funds in quarterly payments until such time as "467" monies became available. This is reflected in a letter from a city official dated July 17, 1979. This letter and subsequent action by the city also indicates that Revenue Sharing money was supplanted with "467" money which was not the intent of the bill. (See attachment # 1)

I was informed verbally by the chairman of the Human Resources Development Committee that we would continue to receive "467" monies on a quarterly basis in FY 1980-81. As a member of

the Human Resources Committee, I assisted with the screening and evaluation of applicants for Revenue Sharing funds. New Chance did not even apply for Revenue Sharing funds on the assumption that "467" money would be available.

I was informed in mid-summer through the Human Resources Development Committee that the "467" monies would be allocated to us in mid-August, 1980. This date came and passed and we were again informed through the Human Resources Development Committee that all of "467" funds would be forthcoming on September 9, 1980. It was also explained to me that the continual funding of "467" monies would occur on a quarterly basis through FY 1980-81. September 9 came and went - September 15 came - still no funds. About this time we did receive the final quarterly payment of Revenue Sharing funds. Then, out of the blue, I was informed through the chairman of the Human Resources Development Committee that we would receive no funds from the Special Alcohol Programs Fund.

Needless to say, we were shocked. In an attempt to find out why - we were told we never applied for the money. In communication with the City Treasurers office, we were told to submit an application for as much Special Alcohol Programs Fund monies as we received Revenue Sharing (\$8,600.00) and an attempt would be made to set a "precedent" with the City Commissioners, which I did write on September 19, 1980. The City Treasurer then notified me that I "surely must be thinking about 1982 funds." I assured him I was not. This was the last communication we had with the city on this subject until we inadvertantly discovered that the city had budgeted all of the "467" alcohol money into the Police Department using the rationale that the police department does pick up "drunks" occasionally.

New Chance was more or less forced to hire an attorney to present our argument to the city. Mr. John Fierro, Attorney-at-Law and myself first met with the city treasurer and city manager in October of 1980. After an hour of unprofitable

justification from both sides we were referred to the City Commission at a meeting in November of 1980. Mr. Fierro and myself attended. Finally in November of 1980, New Chance received an allocation in excess of \$28,000.00, however, the city determined that since we had received \$8,600.00 in Revenue Sharing Funds that year - \$8,600.00 would be deducted from "467" funds to cover it. This amount of \$8,600.00 liquor tax fund money has not, to my knowledge, been accounted for since.

In March 1981, New Chance again approached the City Commission for these funds. The Medical Director of New Chance, Dr. Dale Betterton, M.D., described the disease of alcoholism to the members after which he was verbally challenged by the mayor of the city regarding whether or not he knew what he was talking about.

(See attachment # 2)

At one of these meetings a physician on the city committee commented "the people at your place down there are kind of like the "preemies" (referring to premature births) if some of them die it's no big deal." At another time, a city official did admit that they liked to hold onto the funds as long as possible in order to draw interest.

Again in April of 1981, we approached the city for "467" funds and received the same "aloof and hostile" treatment. One commissioner suggested tying the purchase of a computer to "467" monies. (See attachment # 3)

Finally on April 20, 1981, the Dodge City City Fathers agreed to give 75% of funds to New Chance and 25% to Area Mental Health Center. (See Attachment # 4) The Mental Health Center had attempted to get all the funds by presenting a budget for over \$28,000.00 to the city, funding two programs which were direct duplication of services already being provided by New Chance. The commissioners

ultimately made their decision with the following formula - one commissioner voted 50% to New Chance and 50% to Area Mental Health Center, stating if he had any other choice he would give them each nothing. A second commissioner refused to vote, indicating the tax on booze sold at clubs was the biggest rip off of the public. A third voted 60% to New Chance and 40% to Area Mental Health Center. A fourth 90% to New Chance and 10% to Area Mental Health Center. And the last voted 100% to New Chance. They then averaged their votes and again voted to disburse the funds 75% to New Chance and 25% to Area Mental Health Center. Lord help us!

Fall rolled around and New Chance again prepared to do battle for sorely needed funds. The president of the Board of Directors of New Chance presented the situation to the commission and again the funds were divided 75% - 25% between New Chance and Area Mental Health Center. (See attachment # 5)

In January, 1982, a local judge and probation officer presented a program of court diversion for juveniles. One commissioner commented, "If the intervention program could be related to alcohol-caused problems, it would give the city a chance to use funds now allocated to other agencies that work with alcoholism treatment." (See attachment # 6) On February 18, 1982, I mailed a letter to the City Manager of Dodge City again requesting "467" monies for New Chance, Inc. (See attachment # 7) I received his reply indicating he had referred it to the City Commission on February 19, 1982. (See attachment # 8) Five commission meetings later there still had been no discussion or action taken. A community business man intervening in our behalf had conversation with the Mayor and was told that a letter had been sent to the Attorney General for an opinion on the law. They wanted to know if it was legal to give money to an alcohol program that also treats drug problems. Another lengthy delay! My staff and I have spent countless hours preparing for these meetings. Even though "467" monies are a small part of our total budget - it is vital to our survival.

Apparently there is a lot to be desired in allowing City/County government to disburse funds in an area of programming in which they are, in most cases, totally unfamiliar, and in many cases, unsympathetic. Our agency has suffered many abuses and has incurred much additional expenses, merely trying to prove that what is due us is in fact due us.

This charade continued on into 1982. In September of 1982, the City Commission was still hassling over what to do with 1982 alcohol funds. (See attachment # 9) Apparently they could not decide who was legitimate to receive funds and who was not. An Attorney General opinion as to this question was apparently ignored in the final analysis for some reason.

September 21, 1982, (See attachment # 10) a final decision was ultimately made to distribute this money. New Chance, Inc., was the only agency of the eight agencies who could lay claim to having appropriate licensure by the state to provide alcohol/drug services.

The greatest travesty occurred when the commission chose to award Greenwood, Inc. \$7,525.00 to pave their parking lot. Greenwood is an A.A. private club; and A.A. people throughout the state are bemoaning this decision.

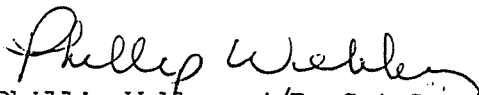
Others receiving funds were Domestic Violence Care Group, \$6,278.00; Channel 1, \$3,870.00; Fraternal Order of Police, \$3,010.00, for what I don't know; Dodge City Public Library, \$2,924.00; Alcoholics Victorious, \$1,290.00, (can you believe this?); and the Community Action Council, \$215.00. I might add that New Chance, Inc. did not receive enough to make budget.

In 1983, New Chance, Inc., was notified that March 1, 1983 was the deadline for applying for these funds. An advertisement in the Dodge City Daily Globe

so notified the public. We had our application in on time. Again Area Mental Health Center applied for alcohol/drug money to fund an Outpatient Treatment Program. The Police Department asked for funds to buy some cameras, etc. The Public Library and Domestic Violence Care Group are wanting to be re-funded, (See attachment # 11) for the latest stall for this year.

I believe I have presented to you a chronological history of incompetence by at least one city government to control and allocate these funds. City government cannot continue to be allowed to hold funds for interest accumulation and distribute those funds in such an irresponsible manner. Perhaps your recommendations will help to prevent this.

Sincerely,



Phillip Webber, A/B, C.A.C.
New Chance, Inc.
Executive Director

PW:kw

ATTACHMENT #1

City of Dodge City, Dodge City, Kansas

CITY HALL

705 First Avenue
Dodge City, Ks. 67801
Phone 316/225-1391



"ON THE ASHES OF
MY CAMPFIRE THIS
CITY IS BUILT" ---

July 17, 1979

Dear Phil:

The Human Resources Development Committee has presented its 1979-1980 revenue sharing allocation recommendations to the City Commission. The commissioners accepted the budget which will allocate \$20,000.00 to the human service providers. New Chance is to receive \$8,600.00 in four quarterly payments of \$2,150.00. If funds from the new liquor sur charge are made available to New Chance during any quarter in the upcoming year. Quarterly payments of revenue sharing funds will stop being paid. It is anticipated that first payments from this liquor sur charge fee will begin being made in March, 1980. If you have any questions do not hesitate to ask.

Sincerely yours,

Paul D. Chaffee

Paul D. Chaffee
Assistant Director, Community
Planning and Development

ATTACHMENT #1

TUESDAY, MARCH 24, 1981

Landowner, resident opinions sought on thoroughfare projects

By EVELYN STEIMEL

Residents and commercial property owners along 14th Avenue, south of Wyatt Earp, will be given the opportunity to decide if they are ready for improvement of that north-south thoroughfare, it was decided at a work session of the Dodge City commissioners Monday.

"Let's get it out there and see where we stand," Mayor Bob Coffin said after a discussion of city funds, assessments, and street projects for the year in the light of decreasing federal aid.

Earlier, after City Manager Bob Livingston had presented an overview of the 14th Avenue project; the Trail Street renovation that is slated for bidletting on Nov. 26 and which is over 87 percent federally funded; some minor repair and maintenance work funded by gas usage tax; and a list of streets slated for overlay of asphalt; the commissioners decided to move ahead on the 14th Avenue project in the light of continuously rising costs through the petition route.

In other business, the three commissioners who attended heard a report on the site selection for wastewater disposal through the land application process by J. W. Dansby of Allied Engineers of Norman, Okla., the firm which is designing the \$2.1 million project. He said that a public hearing is slated on the selected site, southwest of the city on land owned by Loren Doll and Don Renick for May 11. At that time representatives of the Environmental Protection Agency will hear evidence presented by the Oklahoma firm and city representatives, along with the general public, prior to approval of the program.

No decision was made as to the disposal of funds collected by the state and dispersed through cities for use in treatment of alcoholism and prevention programs following a presentation by Phil Webber, director of New Chance, Dale Betterton, M.D., medical consultant for the alcoholism treatment center, and others representing the facility. The city is holding funds received shortly

after Jan. 1, and will soon receive a second allocation from taxes collected quarterly on liquor sold in private clubs, according to Livingston, pending a decision by the commissioners as to its disposition.

During the executive session other discussion centered on a review of plans for Haggard Addition paving, the nature of Avenue K as a waterway, and airport land acquisition.

In a report on street financing, Livingston warned commissioners that most federal title programs which have helped with improvements have been discontinued. He said that of 16 once in operation, only two remain. The safety program for the intersection of Wyatt Earp and 14th came under one and the other will fund a major portion of the 7 million Trail Street improvement. said, however, that the \$800,000 that has allotted for Trail will be "sur" in the two years of construction.

See LANDOWNERS

east half of Trail, from Second Avenue, and that the city does not have funds to cover bridge construction on 14th or to complete work at the 9 locations projected in the overlay program.

"You can charge quite a bit back, but still it is costly to the city, so for the next two years, you may not want to plan any other special project," he said.

Commissioner Don Barber made a motion that the commission go by the suggestion that if the developers on 14th are anxious for improvement that they petition in the 14th Avenue project. The two other commissioners present, Coffin and Hi Bland, agreed to get it on the agenda, but Barber then became concerned when it was pointed out that property owners would have to bear the cost of construction for the \$1.7 million street and the \$1.3 million bridge.

Livingston said that the project could begin, leaving the bridge as a two-lane, with hopes of finding some funding later in the construction period for the bridge. The commissioners demurred, concerned about safety and the impracticality of the bottleneck on a street that is becoming a major city trafficway. They discussed various ways of funding the project, and finally decided to leave it up to the property owners if they wish to petition for the construction.

Barber reported that in the past several years the city governing body has gone on the theory that everyone is responsible for the street in front of his own home or business property, in regard to assessing back overlay costs on numerous streets slated for improvement. Coffin argued that because some streets were originally constructed better, their costs will be less than those which require milling and a heavier cover.

After discussing ways in which to assess the costs, it was finally agreed that the property owner should be responsible for the costs of front footage in the improvement.

Whether alcohol is a disease or a mental illness was the question brought before commissioners by representa-

tatives of New Chance in their quest for the funds programmed for alcoholism treatment two years ago by the Kansas Legislature. Betterton defined an illness as chronic, with relapses, and progression.

"I feel these funds would most suitably be used at an institution such as New Chance," he told his listeners.

Livingston referred to a report he had given the commissioners that came from the League of Kansas Municipalities showing that a majority of cities and counties gave funds to such institutions, but that there was also a percentage going to mental health centers, school districts, police prevention programs, and other areas.

Webber gave a listing to the commissioners of the sources of funds for New Chance, saying that the residential program of 50 beds was the most crucial need, since all but five detox units, had to be individually funded, either by the resident's insurance, by private means, or through individual welfare support. The latter was limited to slightly over \$5 per day, which he said was not sufficient to house and feed one resident.

He also reported, in response to questions, that 50 percent of the clients enrolled in all programs are local and that from 35 percent to 40 percent of those enrolled in the in-patient program are local citizens.

Bland challenged the physician's explanation of alcoholism as a disease and also inquired why Webber continues to visit the commission meetings with his requests.

"Don't you think we understand what you want?" he asked.

"I believe you understand that, but I don't believe you understand all we do. You have never visited our facility."

"I understand why you are here. We have accrued this money and need to make a decision," Barber said. "It behooves us to do so and get these people off the hook."

Bland suggested that Livingston find more "places to use this money," and Coffin suggested that a committee be named to make the decision.

"I think we are going to have to bite the bullet," Barber insisted, but it was decided to delay a decision until the two

ATTACHMENT # 2

ATTACHMENT # 2

pub. ager in the

alcohol treatment funds disbursement

(Continued from Page 1)
problems were to be automatically solved.

ATTACHMENT #3

By EVELYN STEIMEL

Dodge City commission members had as guests at a work session Monday evening, some 10 members of the community who said they had come to listen in on discussions as to the disposal of alcohol tax funds.

Also present were Phil Webber and several staff members of New Chance, Inc., a local alcoholic treatment center.

Commissioners asked questions as to funding sources for New Chance and its results as a treatment center. One asked for "hard facts," referring to pouring money "down a rathole" if such statistics are not documented.

No decision was made on disposition of the funds which were collected by the state on drinks served at local private clubs for use in treatment of alcoholism, intervention and prevention of the disease or for education on effects of alcoholism. The commissioners agreed to make a decision on the funds which have been accruing since November 1980 at the next regular meeting.

In other business, commissioners agreed to the employment of an engineer for design work for improvement of the intersection at 14th Avenue and Comanche. Changes in the assessment procedure were discussed and an ordinance is to be drawn up for consideration at the next regular meeting, it was decided. They agreed to go ahead with a bid on a gas motor which had been considered earlier as an alternate system for a city well. A contract agreement with Fred Goldsberry on amusement rides in Wright Park was discussed.

A review of bids on copy machines for city offices was made, with John Dardoff, assistant city manager, explaining the proposal and why the staff had recommended two copiers from Xerox to be purchased on a time contract basis.

Several commissioners had objections to the plan, but expressed interest in purchase of a copier to take the place of the present large Xerox which is being leased for \$942 a month.

"I'm opposed to a service contract. I wouldn't go into one myself and I won't vote for one for the city," commented Commissioner Don Barber, and Commissioner Bob Coffin quickly agreed.

City Manager Bob Livingston explained the purpose in proposing such a purchase and the value of a long-term contract as far as investment of city money is concerned.

"Even with two smaller machines, we are talking of an outlay of \$15,000 right off," he said.

"Wait a minute. We've never talked of two machines. I want to know why we need two machines," Barber interrupted.

After some discussion of the needs of the police department and the rest of the city, it was agreed that the city would again call for bids for outright purchase of two machines, each capable of producing 25 copies per minute with one copy of each page available.

"We felt it was a good opportunity and thought you should know about it," City Clerk Ron Thornburg explained.

Commissioner Dick Brownrigg suggested that if checks might be made through this programming on needs for alcoholic treatment, the funds discussed earlier with New Chance, might go for purchase of the software.

"We need to treat local individuals, not let them fall through the cracks," he said in reasoning that records might list such problems in other instances besides DWIs.

Coffin suggested moving ahead with the program if it cost no more than \$3,000, but no action was taken on the matter.

Barber objected to a proposal to arrange a meeting with county commissioners in regard to updating the tornado warning system. Barber objected, saying he wanted more information before going into the meeting.

Mayor Hi Bland said the meeting would be an orientation, no decision or commitment was necessary, and it was agreed to invite the commissioners to an April 27 meeting.

Barber called for a look at the franchise agreement with Northend Disposal Service, which he said was covering a good portion of the city, where other (EMCO) services might be used at cheaper rates to the citizens. Northern recalled that many commercial and private citizens went to the alternate service when rates were raised and "people just couldn't live with it."

It was agreed the matter of trash collection would be studied with the idea of saving money for the city and for the customers.

ATTACHMENT #3

City doles out alcohol treatment funds

By EVELYN STEIMEL

After a long dry spell and some heated debate within the community, Dodge City commissioners finally cut loose some \$28,000 in tax funds collected by the state for use in treatment and prevention of alcoholism.

Before a roomful of citizens at City Hall Monday evening, it was announced that 75 percent will go to New Chance, an alcoholism treatment center, and 25 percent is to be given to the Area Mental Health Center in Dodge City. There it

will be used in a youth diversion program, and for other activities dealing with problems caused by alcohol and drug abuse.

Commissioner Don Barber made the motion to allot the funds according to this ratio — three-fourths for New Chance, and one-fourth to the Mental Health Center — following a report from City Manager Bob Livingston on a poll and vote taken among commission members. The motion was seconded by Commissioner Dale Northern but an

amendment, raised by Commissioner Richard Brownrigg and then seconded by Mayor Hi Bland, was successfully added, so that only these funds presently at hand (\$28,476.53) will go to these facilities. Forthcoming funds will go through a similar test before they are distributed, according to Brownrigg who said he is not satisfied the present programs effectively fulfill the purpose expressed in the law. The city had budgeted \$35,000 for distribution, but according to Livingston, the amount that is

forthcoming from the fund raised through a 10-percent tax on gross sales of alcoholic drinks at private clubs in the city, will soon exceed the budgeted figure.

Several visitors spoke at the meeting, including Isaac Sanchez, representing Chairman Robert Alvarez of the GI Forum. Sanchez said that the debate had led to an interest from that group in the question before the commission and a study as to the best way to approach the matter. He said that after consulting

with various church, school, and community leaders, his group would recommend an advisory committee that would include people from these areas and also from among distributors of alcoholic beverages in the community, to help advise and monitor programs and report back to the commission. He saw this as a continuing effort in the community.

Following the vote, in which Commissioner Robert Coffin abstained and the remaining four commissioners voted favorably, they revealed their individual

stand on the issue, as had been requested at the meeting by Phil Webber, New Chance director.

Brownrigg said he was willing to reveal his vote, which was for 50 percent for each of the two facilities.

"I would have liked to have voted nothing for New Chance and nothing for Mental Health, because I was under the gun of the Legislature," he continued, saying he believed that a more work-

See CITY Page 2

Tuesday, April 21, 1981

★ City

(Continued from Page 1)

while purpose might be achieved with a long-range study of the situation, using these funds not within the budgeted money. He also emphasized that the 467 law read that the city should "expend," rather than "distribute" the funds.

Bland reported that he voted 60 percent for New Chance and 40 percent for Mental Health and Northern said his vote went 90 percent for New Chance and 10 percent for Mental Health. Barber reported that his vote went 100 percent for New Chance and its program, because he felt that the ideas presented by Mental Health would not adequately be financed with a portion of the funds.

"I didn't vote," said Coffin, who earlier had also not voted on the motion to allot the funds, "violently. It is the most discriminating thing I have ever seen... a cop-out."

A public hearing on an assessment of sanitary sewer improvements in Boley-Morgison, Haggard's Replat, K-Country, Kliesen Hills, Milstock, Scotsdale, and Walter Heights brought several protesters to the hearing and also to an earlier work session. Dennis Kindswater, developer in the Haggard and K-Country areas, objected to increased assessments that resulted from a change in engineering plans for Avenue K to allow the street to act as a drainage, concreted conduit. He and his attorney, Dave Ickehin, observed that the change was made after petitions and resolutions were passed, and made costs for development in Haggard prohibitive.

While agreeing with the policy argument forwarded by Coffin as to the desirability of the costlier paving, Kindswater said it was doubtful that he would

have proceeded with the development he had been aware of costs that assessments for blocks 60 from \$3,000 to \$100,000.

Rebein pointed out that he was aware the city had the capability of writing large, if concrete was a necessity.

At the suggestion of Bland, it was decided to review past ordinances regarding such situations and to refer the Haggard Replat from the ordinance.

At the hearing, Bill Miller and Tom Lam spoke about Milstock Addition where uneven undeveloped lots resulted in a wide variance in assessments on a square footage assessment basis.

"I do not know what is a fair formula," commented Miller in a discussion "per lot or square footage assessments but having sat on your side of the table will abide by your decision."

Brownrigg made the motion to the ordinance, leaving out Haggard Milstock for further study, and Barber, and Brownrigg voted in favor of it. Northern abstained, and Coffin voted against it. "Why not delete the whole thing, if it is good for these two?" he asked.

In other business, commissioners accepted a petition and passed resolution to extend sanitary sewer in Milstock addition, and extend waterlines in same area. They approved a final for Candletree Courts, after it was determined that lot levels were comparable with sewer lines. April 30 was proclaimed by the Mayor as Beta Sigma Phi in honor of the 250,000 members of organization and their charitable work.

Two buildings marked for condemnation were saved, one marked for latering and the other given six months leeway, because the new owner is making improvements currently on the property at 466 W. Cedar.

ATTACHMENT # 4

ATTACHMENT # 4

City of Dodge City, Dodge City, Kansas

CITY HALL
P.O. Box 880
Dodge City, Ks. 67801-0880
Phone 316/225-1391



"ON THE ASHES OF
MY CAMPFIRE THIS
CITY IS BUILT"...

February 19, 1982

Mr. Phil Webber
New Chance
Box 43
Dodge City, KS 67801

Dear Mr. Webber:

I have forwarded a copy of your February 18, 1982, letter to the City Commission requesting distribution of funds from the Alcohol Sur Tax Fund. If you have any questions or wish additional information, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bob Livingston". The signature is written in dark ink and is positioned above the typed name of the signatory.

Bob Livingston
City Manager

BL:n1

ATTACHMENT # 8

FEB 22 1982

NEW CHANGE, INC.
BOX 43
DODGE CITY, KS. 6 7801
4 2 83

Dodge City Daily Globe

Wednesday
September 8, 1982
Dodge City, Kansas 67801
34 Pages, 20 Cents
Vol. 71, No. 229 ★

82

★City

(Continued from Page 1)

cent session with representatives of the Department of Housing and Urban Development.

Chaffee outlined proposals for use of funds, including \$670,000 for sewerlines for East Trail; drainage improvement on Avenues C and D at the cost of \$64,000; rehabilitation of eight homes in east and south Dodge City and other improvements amounting to \$96,000; \$35,000 in code enforcement to remove dead trees and old buildings in neighborhoods where these costs are not feasible; and \$35,000 for administration costs.

Since the program has been delayed, Chaffee asked for a public hearing on Sept. 20, and available projects be published by Sept. 23, in order to write up the proposals by an Oct. 5 deadline.

Other action at the meeting included acceptance of a petition to improve Hart Avenue, and passing of a resolution to proceed on that reconstruction; rezoning of several lots in Kirby Addition adjacent to the Burkhardt Funeral Chapel to C-3, which allows for retail business, but retaining the residential-suburban designation for other lots there; vacation of Ross Boulevard in Kleisen Hills Addition north of Avenue A because of excessive costs; and establishment of a no parking rule on Linn Avenue between Greenwood and Overhill. The same ordinance called for erection of stop signs on the northwest and southeast corners of Greenwood and Linn and Division and Greenwood to relieve traffic hazards.

Lowery and Bland were named delegates to the League of Kansas Municipalities meeting, Sept. 26-28, in Topeka, with Livingston and City Clerk Ron Thornburg as alternates. The Fox and Co. contract for the annual audit was accepted; and the addition of a shake shingle roof on a city wellhouse in K-County Estates to comply with a restrictive covenants was allowed.

Commissioners agreed to spend

an additional \$7,182.75 for the restroom-concession facility in Wright Park to complete that project. Additional costs were incurred when the plan for placement of the two ball-parks which the concession stand will serve was changed. The motion also allowed the Southwest Softball Association to spend \$670 of its own funds in the concession area.

The sale of a portion of Wright Park land measuring 64 by 62½ feet to owners of the Park Street Tavern was approved by a vote of three to two, subject to a protest petition period.

Lowery who voted against the sale at the appraised sum of \$5,500, said she had surveyed the parking around the tavern and failed to see additional space was needed by personnel or patrons of the tavern.

Northern said that the owners had paid for the appraisal and followed requests by the city in preparing the proposal, in noting why he favored the sale as long as no petition was mounted against it by citizens.

"It is a tavern, but to the owners, the business is the same as a bank to the bankers," he said. Bland joined Lowery in voting against the move.

Allocation of alcohol funds was tabled at the meeting following a discussion of the nine applicants and the manner in which each commissioner applied his one-fifth share of the funds. It was pointed out that one applicant was provided with four times the amount requested. One group, previously considered ineligible by several of the commissioners, was taken up by them when it appeared its proposed use of the funds may be legal. Estimated cash from the tax on alcoholic drinks consumed in private clubs in the city for 1982 is \$43,226.12.

Using slides, an overhead projector and transparent maps, Public Works Director Hal Leedom provided the governing body with an overall look at drainage problems in the city. No action was taken at the session, but commissioners praised the proposal and talked of the need to consider some solutions to drainage problems, set up a general policy, and move to alleviate future drainage questions, through long-range planning.

The mayor proclaimed Sept. 12-18, as Hispanic Heritage Week, in recognition of the contribution made by citizens of that ethnic group.

MENT #9

City com

By EVELYN STEIMEL
A promise to remove a tax on investments or gross earnings, called the intangibles tax, was carried out Monday at the meeting of Dodge City commissioners.

Only one member of the group. Hi Bland, voted against Mayor Dale Northern's motion to remove the tax, although most commissioners spoke of reservations in the light of decreased revenues to the city beginning Jan. 1.

"I have no qualms about dropping

it, but throat,' Bob Col a prorr payers. "If it we need ing it of to seem to voting tion. Bland headline munities:

City sees need to raise water, sewer rates

By EVELYN STEIMEL

Dodge City residents will pay out an average of \$5 to \$6 more in the coming year for water, sewer, and sanitation services, it was decided at City Hall Monday.

"With the increases that people here have had to pay in other utilities, the Dodge City commissioners have held out as long as possible," commented Mayor Dale Northern, adding that he thought people understood the reason for the city's need for increased revenue for its services.

The governing body heard facts and figures, viewed charts and schedules, before voting on the increases recommended by staff members.

The major increase in costs for citizens is that of sewer service, according to City Manager Bob Livingston. Additional costs — incurred because of the new wastewater treatment plant now under construction, and needed funds to provide additional sewer lines within the city, to make up for the loss of federal grant money in this area — were explained at a work session.

Jay Buehler and two other engineers with Black and Veatch, consulting engineers for the plant, provided information on fee schedules to allow for plant completion and maintenance, and continued service.

In other business commissioners adopted a resolution regarding sidewalk repair, with the provision for a program that provides a special fund for homeowners who cannot meet the cost of tree removal or construction of sidewalks abutting their property, where it is deemed necessary. This loan, when successfully sought and granted, would be subject to a lien, in that the city would be repaid if the land or property is sold.

Commissioners agreed to correction of deficiencies at a gasoline station at 14th and Wyatt Earp, which occurred when the intersection there was recently rebuilt. Bids will be solicited, following the same formula used on the work on the intersection.

The long-delayed allocation of alcohol funds was initiated when commissioners voted in favor of disposal of the funds among eight applicants. A total of \$43,000 for 1982, a projected figure, will be given to the following: New Chance, \$17,888; Greenwood, \$7,525; Domestic Violence Care Group, \$6,278; Channel I, \$3,870; Fraternal Order of Police, \$3,010; Dodge City Public Library, \$2,924; Alcoholics Victorious, \$1,290; and Community Action Council, \$215.

Funds for the first three quarters of 1982, about \$30,000, will be distributed as soon as contracts are drawn up with the various groups, and the program is approved by the commissioners and the participants.

"I would like to see all who get these funds, keep records and let us see them at the end of the year," suggested Commissioner Beryl Lowery, following some discussion of programs and how they fit with the intent of the Kansas Legislature

which passed the bill imposing a tax on alcoholic drinks served in private clubs, for the rehabilitation of alcoholics and the education of the public.

No one appeared to contest the program outlined by community developer Paul Chaffee and prepared for application for a CD grant from the Department of Housing and Urban Development. The application, calling for \$1 million in funds for economic development and neighborhood improvement, is to be submitted to HUD on Oct. 5. Commissioners approved the outline which allocated \$670,000 for sewers on Trail Street and McCaustland; \$87,000 for drainage on Avenue D; \$88,000 for rehabilitation of homes; and \$25,000 for code enforcement, allowing for tree removal and other improvements in certain neighborhoods.

The remainder of the funds was marked for administration, and an additional request was outlined for Small Business Administration loans on a revolving program to be sought through the Greater Southwest Regional Planning Commission, Chaffee said.

Rehabilitation of a home on Avenue K, damaged in July flooding, to be handled under a CD loan program, was approved, so that bid proceedings may move ahead before winter weather. Damages included loss of heating facilities, as well as other problems. An estimated cost of \$4,500 was suggested.

October was declared "Alcohol and Other Drug Abuse Awareness Month," and Sept. 17 to 23, was named as "Constitution Week," by the mayor.

The commissioners accepted an invitation offered by Channel I members Cristol Sanchez and Debbie Knutson to a Weiner roast on Saturday in Chilton Park.

One visitor, Larry Gerber, inquired about construction of Park Street bridges, contending that one bridge was no longer feasible, since the flood control project had changed the course of drainage and no water now flows in that direction. Commissioners agreed to an additional \$400 for land acquisition in this area.

Commissioners agreed to a plan offered by Buehler on setting wastewater rates at a basic service charge of \$4 for each residential customer and 57 cents for each 1,000 gallons used. Therefore the customer who uses 5,000 gallons will pay \$6.85, and the one who uses 15,000 gallons of water will pay \$12.55.

Commercial users will follow a similar rate increase, with a surcharge in the event of extra strength sewage. Observing that the plant was originally set for additional strength sewage, Commissioner Hi Bland objected to the surcharge and said the city will receive a bonus from irrigators who use nitrates.

Bland's motion to change wording of the proposed resolution failed to gain a second, but Commissioner Bob Coffin proposed that Bland's comments and suggestions be

studied and presented to them at a later meeting for their consideration, and the commissioners agreed.

"We need a better understanding of the system," Coffin said, in proposing the motion to accept the Black and Veatch recommendations. "The commissioner (Bland) has real concerns and knows more about the process (than we do), so we owe it to him to give it more study."

In proposing increases in water rates, City Clerk Ron Thornburg asked for a schedule which calls for doing away with a \$3 minimum, and charging \$1.50 per 1,000 gallons of water used up to 10,000 gallons, with 75 cents per 1,000 above 10,000.

He said this schedule would not penalize low users and would still bring in more money by tapping the greater number of customers who use from zero to 10,000 gallons, and still encourage large users to conserve.

Present projections show that revenue from sale of the 68,045,700 gallons delivered to 6,627 customers, will fall short by \$200,000 of the amount budgeted for 1982. Construction of two new wells, not yet hooked up, and other capital improvements of the system, call for additional funds, Thornburg pointed out.

Public works director Hal Leedom termed Dodge City a "throw away economy," judging from the amount of trash picked up by sanitation crews in both residential and commercial areas. He offered an elaborate breakdown of costs of operating equipment and a proposal for increased charges for sanitation service.

He proposed a 10 percent increase, from \$5 a month to \$5.50, and suggested that all who have city utilities be billed this fee, unless they have other trash service. Several additional charges would be added when personnel is required to move containers from garages or places other than the curb or alley. This increase in residential charges would take care of non-scheduled trash collection of brush and large items and the operational costs of two street sweepers.

A new schedule based on type of pickup, cubic yardage, and number of collections per week was devised for commercial customers, in order to cover costs to the city in providing the service and allowing for a more equitable return.

Prior to voting on the proposals, Coffin expressed concern about elderly and handicapped persons who may be unable to move carts or bags to the curb for pickup, and thus incur increased fees. Leedom said these factors would be taken into consideration.

Lowery, who made the motion to adopt the new fees on sanitation, observed that Dodge City has a good system of solid waste collection. She said that the personnel are courteous, very honest, and that local people should appreciate this fact.

"I'll tell them," Leedom said of his workers in the public works division of Dodge City.

ATTACHMENT #10

9/21/82

★ Cable customers

(Continued from Page 1)

Dodge City Daily Globe

Tuesday
March 22, 1983

Dodge City, Kansas 67801
14 Pages, 20 Cents
Vol. 72, No. 85 ★ ★

NEW CHANGE, INC.
BOX 43
DODGE CITY, KS. 67801
4 2 83

salary of \$14,500 not be a limitation to hiring the right person.

Northern, also in favor of the move, said that he had been approached by several people on the subject who complained the city was always increasing its staff. He cited a savings of \$108,628 in salaries during the past year since the present commission has been in office, largely because retired employees or supervisors have not been replaced.

Commissioner Hi Bland, the one dissenting vote, reported that he failed to see the savings or increased efficiency cited by the others, noting that department heads will still have to be consulted on materials needed. With bulk purchases, more expenses may be added with warehousing costs, he said.

After tabling the matter for a month, commissioners voted to purchase a set of aerial maps at a total cost of \$72,998. It was noted by City Manager Bob Livingston that a local firm, which had objected because of not receiving information on bidding for the job, had withdrawn its protest.

The maps will provide needed information for the 1983 street reconstruction program that was voted in by the city. One change was made before the vote, calling for repair on Sunnyside from Beeson to Sycamore, rather than from Market to Sycamore, on a suggestion from Coffin. Other streets to be reconstructed are McArtor from the city limits to Sunnyside; 14th Avenue from the north end of the bridge to Park; Avenue A from Comanche to Plaza Terrace; Ninth from Ash to Comanche; and Ash from Ninth to Ash Circle.

Except for Sunnyside and McArtor, as collector streets, and 14th as an arterial road, the plan is to assess one-third of the cost to adjacent property owners, with the city-at-large bearing the cost as far as funds set aside will carry. It was decided in the vote that one or more of the assessed streets may be dropped from the estimated \$522,985 program.

Commissioners also approved of the application for \$875,000 in a block grant for community development to the Department of Housing and Urban Development. The request was outlined by CD director Paul Chaffee, who indicated that street reconstruction, drainage and park improvement — primarily in low and moderate income

neighborhoods — will be included in the application, along with funds for construction of a children's education building for Arrowhead West on East Wyatt Earp.

If granted, the CD funds may be applied for 50 per cent of costs on Sunnyside and McArtor Road construction, it was pointed out.

Only one visitor spoke out at a public hearing on the 1979 and 1980 assessments on street, curb and drainage construction. He inquired about the high cost of assessments in Kliesen Hills Addition in comparison to those in Ross Addition. City Clerk Ron Thornburg stated concern that protests be heard soon, since by holding back the \$3 million bond sales including the recently constructed city library, beyond a July 1 deadline means rates will drastically increase.

Commissioners agreed to use of McCarty Stadium for a Dodge City Senior High School dance, but asked the class sponsor, instructor Theresa Droste, to check on school insurance covering students.

Alcohol surtax funds distribution was tabled, pending applications by several more groups that have indicated interest. These groups will be heard by the commission on April 11.

A zoning change for a planned development district to feature triplexes and duplexes in Highland Terrace, one block east of 14th Avenue on Hi Street, was approved.

Low bids for waterlines for City Wells 16 and 17, were approved. Gladden Excavating, using plastic pipe, won the contract at \$101,210.50, less than half the engineer's estimate of \$204,000. Binford Construction took the low bid on Gunsmoke Plaza Sanitary sewer at \$21,740, with the engineer's estimate running \$32,287.50. Action on the relocation of a gas pumping station on West Wyatt Earp was tabled.

Mayor Northern proclaimed March 25 as Arbor Day, noting that Dodge City has received the title Tree City, U.S.A., each year since the designation has been awarded. A tree is to be planted in Wright Park with the Shade Tree Commission members to commemorate the holiday.

Commissioner Beryl Lowery reminded citizens that the April 5 school election will include a ballot in which they will vote on sale of Wright Park ground to the Park Street Tavern as a parking lot.

ATTACHMENT # 11

ATTACHMENT # 7



COMMUNITY ALCOHOL-DRUG RECOVERY CENTER
BOX 43
DODGE CITY, KANSAS 67801

February 18, 1982

Mr. Bob Livingston
City Manager
City of Dodge City, KS. 67801

Dear Mr. Livingston:

I am again requesting that the Local Liquor Tax monies be awarded to New Chance, Inc. Another quarter has rolled by and I am not sure how much of this money has accumulated.

However, our agency is suffering serious financial problems and these funds are certainly needed to help alleviate our situation.

Thanks for your consideration.

Sincerely,

Phil Webber
Phil Webber, A/B C.A.C.
Executive Director

PW:kb

- PHIL WEBBER A/B C.A.C.
Executive Director
316-225-0476
 - DAY TREATMENT
201 East Wyatt Earp Blvd.
316-225-0476
 - MEDICAL DIRECTOR
Dale C. Betterton, M.D., A.D.F.P.
 - MEDICAL SERVICES DIRECTOR
Juan McCarthy, R.N.
 - SOCIAL SERVICES DIRECTOR
Don Jordan M.S.
 - TREATMENT PROGRAM DIRECTOR
John Peck C.A.C.
 - RESIDENTIAL COMPLEX
314 Military
316-225-3779
 - OUT-PATIENT TREATMENT
201 East Wyatt Earp Blvd.
316-225-0433
 - COURT REFERRAL SERVICE
Alcohol Info School
201 East Wyatt Earp Blvd.
316-225-0489
 - COMMUNITY AWARENESS
AND EDUCATION
201 East Wyatt Earp Blvd.
316-225-0489
 - EMPLOYEES ASSISTANCE
PROGRAM
Industrial Counseling
201 East Wyatt Earp Blvd.
316-225-0433
 - ADMINISTRATIVE OFFICES
201 East Wyatt Earp Blvd.
316-225-0476
- 24 Hours/225-3779

PARTIALLY FUNDED BY THE STATE DEPT. OF SRS-ALCOHOL & DRUG ABUSE SECTION, CITY OF DODGE CITY AND UNITED WAY

ATTACHMENT # 7

Dodge City, Kansas 67801
16 Pages, 20 Cents
Vol. 71, No. 26 * *

★City

(Continued from Page 1)

City endorses youth program

By EVELYN STEINIEL
Impressed by a proposal presented by Associate District Court Judge Jay Don Reynolds and Ford County Juvenile Officer Bill Austen for a diversionary program for young people identified as actual lawbreakers or having apparent problems, Dodge City commissioners gave their informal blessing to the plan on Monday at a work session.

"I know it would work," commented Commissioner Robert Coffin, who recalled a program utilized several years earlier in the community in which a group of adults worked with high school students, helping cut truancy and related problems.

"You are working with cause, rather than dealing with effects,"

added Mayor Hi Bland, who also gave his endorsement to the plan.

According to the information given by the two speakers, the program would be set up as a non-profit organization with three staff members consisting of a director with counseling certification, a social worker and a secretary. They would be supervised by a three-member board representing the three agencies which would financially support the program and also appoint their representatives. The Dodge City Unified School District board of education and the county commissioners have already been approached on the idea, Reynolds said.

Purpose of the program is early identification of trouble for youngsters and intervention.

"Usually when a young person comes to us he has already had indication of lack of adjustment. He may be a chronic delinquent, a poor achiever, a truant in school, and gets more antisocial as he reaches the teen ages, and is harder to help," Reynolds said.

He said also that government cutbacks have reduced the funds for working with youngsters so that foster home care is becoming less available and that juvenile crime and vandalism is on the increase in the community. Where 57 cases were filed in 1976, there were 144 in the past year. He said also, that there is a dropout rate of 12.2 percent in the local school system, and that records show that these are often those ripe for trouble.

Reynolds said the program he of-

Commissioner Richard Brownrigg observed that if the intervention program could be related to alcohol-caused problems, it would give the city a chance to use the funds now allocated to other agencies that work with alcoholism treatment.

"We would have to determine if this is legal, however," he stated, and Bland noted that the law is quite broad as to the application of these funds derived from a tax on liquor consumed in clubs within the city.

Reynolds said that approximately 70 percent of the cases that come before the court seem to be related to alcohol and drug abuse in family situations, but that he would get further statistics on that matter.

John Fierro, an attorney representing Developer Bob Ross, Bryan Winan and several others presented the commission with objections of his clients on the cost of providing sewer lines and hookups for a fourplex and other residences in 10 blocks of Ross Addition north of the concrete drainage ditch and a request for a refund.

Winans gave a history of his protracted efforts to obtain sewers, following city instructions, a project that cost him \$3,895.50, when it would normally have run about \$200 to \$300. The 10 lots in question were not assessed in the normal manner when the city put in the drainage ditch and no provisions were made for the hookups.

ered has had success in neighboring communities in that it has taken away the polarizing-adversary stance that the courts face with young people and recidivism (repeat offenses) seems to be cut back considerably.

"A contract is worked out with the young person and the resources of the community are used in working with him," Reynolds pointed out. "The best part is that it gives society a chance to identify early problems."

The visitors told commissioners that funds would be needed for the program, amounting to about \$30,000 to \$45,000 annually. Questions for-coming from the commissioners

See CITY Page 3

included the incidence of alcoholism involved in cases that come before the courts and juvenile officers, where the rights of the family are protected, and about success of the program in other communities.

Reynolds said that in Liberal the juvenile case load had been cut from 40 to 50 per cent in recent years, and that Garden City had a similar record. He pointed out an initial contact may be made with a family at the suggestion of a teacher who observes a child cannot stay awake in school or appears to have been abused, but that the parents have to sign a release to allow their children to go through the process.

"But we have court procedures to fall back on if there is probable cause. We only want to make a good citizen out of the youngster, keep him out of jail," Reynolds pointed out.

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"It makes no sense to run concrete over the stubouts, when they know these lots across the street would need the sewer," Fierro stated, his contention that the city should reimburse the developer for his expenses.

City Attorney Doug Myers reviewed the history of the development and the storm drain. He said that Ross had approved of its construction at the time. He said the problem came about because the construction began under one city policy and then was completed under another and that neither was wrong for the time.

"The policy in which the city would pay for sewer hookups on large developments needed to be changed so that the property owner would take care of it. But meanwhile the plan for the ditch had already been completed and was under construction," he explained in telling what provisions were not made for hookups.

Coffin suggested that the city do some soul-searching. "If we are not satisfied with what we come up with, let him sue us."

Bland said the problem is, "Who pays?" and Brownrigg said it is a problem which needs to be rectified and it was agreed that study on the matter will be made.

Engineer Les Sheahon reviewed several plans from his department including the paving of Kent Street in Ross Addition. When it was determined that a similar problem "who pays" might come up with sewer and water lines under pavement, it was suggested that engineer return the plan to the grading board to provide for stubbing for sewers on both sides of the street.

In several other proposals to provide for safety docks and platters around the park well and the Snydside lift station, commission stalled action until they check the projects which were estimated as costing approximately \$5,000.

A suggestion by Western Power Manager Ray Eustice to cut back some of the lighting on the airport road was approved by commissioners who had asked City Manager Bob Livingston to see whether or franchises held by the city would be affected with such a reduction in street lighting.

Tuesday
November 10, 1981

Dodge City, Kansas 67801
18 Pages, 20 Cents
Vol. 70, No. 282 * *

Unanimous vote unlocks treatment funds

By EVELYN STEIMEL

After hearing a presentation by Jack Skelton, chairman of the board of New Chance, and several other state and local officials dealing with alcoholism treatment, Dodge City commissioners voted unanimously Monday to unlock funds collected by the state for use in treatment, intervention, and prevention of alcoholism.

"I move we distribute the funds now, at the level designated earlier this year," said Commissioner Don Barber following almost an hour's explanation of the role of New Chance in the community, its fun-

ding, its success and failure rate in inpatient and outpatient programs, and the Alcohol Safety Program dealing with driving while intoxicated (DWI) cases referred from the courts.

"After tonight's presentation, I will second it," commented Commissioner Richard Brownrigg. Earlier Brownrigg had stalled the distribution of the last quarter's funds from a tax on alcohol in drinks sold in private clubs, except for the two-thirds of the money which the city may use as a general fund and for parks and recreation. Then he had expressed a desire the commission

determine the best use of the funds for alcoholism prevention.

Mayor Hi Bland suggested that the funds be distributed on a quarterly basis in the future, following a request from Skelton, who noted that it would ease budgetary problems for the center. According to City Manager Bob Livingston, the final quarter budgeted by the city allows for distribution of \$6,800 for the alcoholism program. One-quarter of this will go to the Area Mental Health Center for its prevention program.

Livingston reported that there is \$20,000 in the fund at present, and

will be held for distribution in 1982. He added that although the staff had tried to budget the fund realistically, "the money is coming in faster than we expected." According to figures supplied from the office of the state treasurer, \$64,231.29 was collected locally in the first six months of 1981, \$21,610.43 of it designated for the alcohol program, as decided by the local government. During 1982, the city budget allows distribution of \$45,000 in funds for the special programs on alcoholism.

Skelton said that he was aware of problems in the past between the commission and the board, and said

that the dozen people present were there to offer information about the program at New Chance. He said also, that although the Kansas legislation on the alcohol tax, S.B. 467, was loosely written, he was sure the commissioners were aware of the intent of the law.

Jim Schlansky, state director of treatment division in the alcohol and drug abuse section of Social and Rehabilitation Services, described the treatment of alcoholism and drug abuse in Kansas, saying that the state administers \$12 million in state and federal funds directly into the programs such as New Chance.

one of five such agencies in the state. The local program, largest in Kansas, receives \$438,000 from SRS to serve clients from Kansas with the largest number from Ford County.

Skelton said that public confusion about the role of New Chance in the community is being approached with a series of public information sessions and other work being done by Doris Freisen, a social work graduate who was also present.

The board chairman provided figures from packets handed commissioners revealing that 524 pa-

See UNANIMOUS Page 2

Alcohol programs are necessary

Reports from this week's meeting of the Dodge City commission indicate that some of the members of the city's ruling body were miffed because people from New Chance, the alcoholism rehabilitation center, continued to make its pitch for support from the city.

State legislation has decreed that one-third of the proceeds from a 10-percent tax on alcoholic liquors sold in private clubs "shall be expended only for the purchase, establishment, maintenance or expansion of services or programs of alcoholism prevention and education, alcohol detoxification, intervention in alcohol misuse or treatment of persons who are alcoholics or are in danger of becoming alcoholics."

New Chance is a facility that can fulfill these requirements and is trying to get this money to carry on its work. The problem, it seems, is that the city commissioners are dragging their feet and won't turn loose of the funds. Meanwhile, the Area Mental Health Center is trying to get its foot in the door to receive a portion of the funds to set up programs to battle the problem of alcoholism.

The debate between the two organizations as to which one deserves the funds does not appear to be the reason for the commissioners' refusing to turn loose of the money. It seems that some of the commissioners, not necessarily all of them, do not feel that alcoholics deserve treatment more than what they can obtain on their own without the assistance of funds collected in the form of taxes.

One of the services provided by New Chance is that of providing training for persons convicted of driving while intoxicated. There might be a tendency among the commissioners to bring these programs, though endorsed by law enforcement and judicial groups, under the auspices of the police department. That appears to be a waste because the police would have to hire and train people to present such instruction and it is not likely that the "sentenced students" would be as willing to learn in an atmosphere of police supervision.

There is a need for education in the school system about the destruction alcoholism can cause and the money the city is holding back could go to some such program. Certainly, in time, if funds were made available, schools could furnish the alcohol abuse education programs that are necessary.

But why should schools or police departments have to provide these training activities when the programs are available from New Chance? There are qualified professionals at New Chance who can lecture in the schools or educate those people who are convicted of driving while intoxicated. If the facilities at New Chance are used there will be no need to increase the local bureaucracies, which would probably impose more of a burden on the taxpayers. The cut from tax on the sale of alcoholic liquor in private clubs does not impose a burden on anyone who does not want to pay it. The commissioners might be trying to pick off a few dollars for the general fund that does not morally belong there.

There is a Jerry Clower story about Marcel Ledbetter's success as a fisherman. It seems Marcel obtained his limit and then some by using a stick of dynamite. When a game protector accompanied Marcel, he found the reason for the good luck and declared the method illegal, the guilty angler lit up another stick of explosive and handed it to the game warden. As the lawman continued his lecture about the illegality of the situation, Marcel interrupted and asked, "Are you gonna sit there and talk or are you gonna fish?"

Well, maybe we should ask the city commissioners, *Are you gonna sit there and talk, or are you gonna put that money where it can do some good?*

John J. Miller

Attach 

Purveyor of Beverage Alcohol and Related Supplies

Page 1

| <u>ONE U.S. GALLON (128 ounces)</u> | <u>KANS.</u> | <u>OKLA.</u> | <u>MO.</u> | <u>COLO.</u> |
|--|--------------|--------------|------------|--------------|
| Gallonage | 2.50 | 4.00 | 2.00 | 2.28 |
| Enforcement | 4% | NONE | NONE | NONE |
| Excise | 10% | NONE | NONE | NONE |
| Sales | NONE | 2% | 3 1/8% | 3% |
| Total State and Federal Gallonage | 10.50 | 10.50 | 10.50 | 10.50 |

| <u>ONE LITER VODKA (33.8 ounces)</u> | | | | |
|--------------------------------------|------------------------|---------------|---------------|---------------|
| Shelf price | \$4.99 | \$4.99 | \$4.99 | \$4.99 |
| Gallonage Tax | .66 | \$1.05 | .53 | .60 |
| Enforcement Tax | .20 | NONE | NONE | NONE |
| Sales Tax | NONE | .10 | .16 | .15 |
| Drink Tax (33.8 ounces at \$2.00) | <u>\$6.76</u> | <u>\$1.35</u> | <u>\$2.11</u> | <u>\$2.03</u> |
| Total State Tax | \$7.62 | \$2.50 | \$2.80 | \$2.78 |
| % of Bottle Cost to State | 152% | 50% | 56% | 55% |
| plus Federal Tax | \$2.70 | \$2.70 | \$2.70 | \$2.70 |
| Total State and Federal Tax | \$10.32 | \$5.20 | \$5.50 | \$5.58 |
| % of Bottle Cost | 20% 207% | 104% | 110% | 112% |

| <u>ONE LITER SOFT DRINK AT \$1.00</u> | | | | |
|---------------------------------------|-----|-----|-----|-----|
| Total State Tax | .03 | .02 | .03 | .03 |
| Percent of Cost | 3% | 2% | 3% | 3% |

| <u>PER CAPITA PURCHASES OF BEVERAGE ALCOHOL (IN GALLONS)</u> | <u>KANS.</u> | <u>U.S.</u> | <u>KANSAS RANK</u> |
|--|--------------|-------------|--------------------|
| Distilled Spirits | 1.19 | 1.99 | 50 |
| Wine | .70 | 2.12 | 47 |
| Beer (Strong and 3.2) | 21.70 | 24.30 | 39 |

CONCLUSION: KANSAS TAXES FORCES THE CONSUMER OUT OF THE STATE.

10922 W. 63rd, Shawnee, Kansas 66203

Attach. 0

John J. Miller

Attach

Purveyor of Beverage Alcohol and Related Supplies

1980 SALES

| | |
|---|--------------|
| Sedgwich County ----- | \$42,637,379 |
| Johnson County ----- | \$22,343,603 |
| Sedgwich County Per Capita Purchases ----- | \$124.58 |
| Johnson County Per Capita Purchases ----- | \$ 83.84 |
| Per Capita Difference ----- | \$ 40.74 |
| Multiplied by the Population of Johnson ----- | \$10,856,760 |

1980 TAXES

| | |
|---|------------------|
| Beer at 45% = \$4,855,420 or 485,542 cases at 40.5¢ = | \$196,644 |
| Spirits at 33.9% = \$3,684,242 or 485,542 cases at 5.95 = | \$215,169 |
| Wine 21.1% = \$2,298,919 or 54,736 cases at 71.4¢ = | <u>\$ 39,082</u> |
| Total Gallonage Tax Lost ----- | \$450,895 |
| Total Enforcement Tax Lost (\$10,856,760 at 4%) ----- | <u>\$434,270</u> |
| Total ----- | \$885,270 |

1981 SALES

| | |
|---|--------------|
| Sedgwich County ----- | \$46,442,674 |
| Johnson County ----- | \$23,868,909 |
| Sedgwich County Per Capita Purchases ----- | \$135.69 |
| Johnson County Per Capita Purchases ----- | \$ 89.57 |
| Per Capita Difference ----- | \$ 46.12 |
| Multiplied by Johnson County Population ----- | \$12,290,472 |

1981 TAXES

| | |
|--|------------------|
| Beer at 45% = \$5,530,712 or 553,071 cases at 40.5¢ = | \$223,993 |
| Spirits at 33.9% = \$4,166,470 or 40,896 cases at 5.95¢ = | \$215,169 |
| Wine at 21.1% = \$2,593,289 or 61,745 cases at 71.4¢ = | <u>\$ 44,086</u> |
| Total Gallonage Tax Lost ----- | \$511,409 |
| Enforcement Tax Lost-(\$12,290,472 at 4%). ----- | <u>\$491,619</u> |
| Total (Minimum) Tax Lost (Up \$117,863 or 13.3% in 1 year) - | \$1,003,028 |

Attach Q

A POLICY STATEMENT OF THE WICHITA
BOARD OF CITY COMMISSIONERS:

Collection and Distribution of the Local Alcohol Tax

April 19, 1983

Substitute Senate Bill 429 proposes revisions in both the method of collection and the distribution formula of the private club alcohol tax revenues. In 1982, the legislature began to phase in a 25% share of the tax for the state general fund with the city's remaining 75% share distributed: one-third to the City's general fund, one-third to a special parks and recreation fund and one-third to a special alcohol fund. This year's proposal would increase the state general fund share to 1/3 and provide 1/3 to local government's general fund with no restrictions or designation to parks and 1/3 to the special alcohol fund to be used only for programs licensed or certified by SRS.

The Board of City Commissioners enthusiastically endorses the proposed changes in collection of the private club alcohol tax from the wholesale dealer instead of the private club operator. While increases in revenue for individual cities may vary, the state legislators should be commended for seeking a method to guarantee collection of any tax.

The Board of City Commissioners sees no need to change the distribution formula just one year after the state was phased in at 25%. Promised increased collections did not result from last year's action. If the proposed changes in the collection system from the private club operator to the wholesale dealer actually brings about major increases in revenue, the formula could be re-examined at a later time.

The Board of City Commissioners particularly opposes the language in SB 429, which would allow monies in the local special alcohol funds to be spent only for programs certified by SRS. This action would eliminate funding for programs like:

Big Brothers/Big Sisters
USD #259 Educational Program
Municipal Court

In addition, local administrative funding would be eliminated. The city, which must deal with the results of the alcohol and drug abuse problems, has willingly struggled to create a balanced program to address all areas permitted by the state law - prevention, education, intervention, detoxification, and treatment. The Wichita Board of City Commissioners, therefore, requests that SRS certification and licensing requirements for local funding decisions be eliminated from SB 429.

Attach. Q



Attach

2

STATE OF KANSAS

JOHN CARLIN, GOVERNOR

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

ALCOHOL AND DRUG ABUSE SERVICES

ROBERT C. HARDER, SECRETARY

2700 WEST 6TH STREET
TOPEKA, KANSAS 666
(913) 296-3925
KANS-A-N 561-3925

December 15, 1982

Gene Johnson
Sunflower Alcohol Safety Action Project
1301 Topeka Ave.
Topeka, Kansas 66612

RE: ADSAP Contracts

Dear Mr. Johnson:

Enclosed is a copy of a Contract for ADSAP Services which will need to be agreed upon should your agency desire to be reimbursed for presentence alcohol and drug, and diversion evaluations, under the provisions of Chapter 144 of the 1982 Session Laws of Kansas.

Please sign the contract (page 7), and the Contractual Provisions Attachment, form DA-1469, and return it to us as soon as possible.

You will note that Provider Section 8, page 2, requires that you submit a proposal which details the type of services to be delivered, a proposed budget for the contract period, organizational charts for your agency, and position descriptions for staff who will be performing services under the contract. This data will be utilized to justify subsequent increases in the assessment fee. To expedite approval, those documents should be returned with the signed contract.

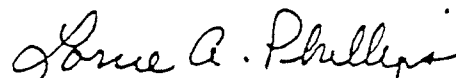
Also enclosed is a supply of Request for Funds forms. These forms will need to be completed and submitted in duplicate for each reimbursement being claimed. Leave the Contract Number space blank until such time as you are provided with a number from us. Requests for reimbursement for evaluations performed prior to the signing of this contract may be

Atch. R

submitted at any time. Please be sure that all information requested on that form is provided. Payments on the contract should reach you within three to four weeks from receipt of the Request for Funds forms.

Should you have any questions regarding the contract or reimbursement procedures, please let us know.

Sincerely,



Lorne A. Phillips, Ph.D.
Commissioner

LAP:DP:kr

enc.

CONTRACT FOR ADSAP SERVICES

This agreement entered into this 1st day of July, 1982 by and between the Secretary of Social and Rehabilitation Services (SRS), hereinafter referred to as the "Purchaser", and Sunflower Alcohol Safety Action Project, Topeka, Kansas, hereinafter referred to as the "Provider";

WHEREAS, the Purchaser is authorized by Chapter 144 of the 1982 Session Laws of Kansas to enter into this contract for services, and;

WHEREAS, the Provider is capable and desirous of entering into this contractual relationship;

NOW THEREFORE, the parties agree to the terms and conditions as hereinafter set forth, to-wit:

The Purchaser agrees;

1. To pay the Provider a sum not to exceed seventy dollars (\$70) for each offender-paid evaluation performed by the Provider pursuant to Provider Section, of this contract.

The Provider agrees;

1. To obtain, prior to the implementation of services, a license or certification (provisional or otherwise) from the Alcohol and Drug Abuse Services of SRS, hereinafter referred to as ADAS, as an Alcohol and Drug Safety Action Program, hereinafter referred to as ADSAP, to provide presentence evaluation and sentence monitoring and supervision of persons whom the courts refer to Provider, who plead "nolo contendere" to or are convicted of a violation of Chapter 144 of the 1982 Session Laws of Kansas.
2. To provide presentence alcohol and drug evaluations for persons who plead "nolo contendere" to, or are convicted of, violation of Chapter 144 of the 1982 Session Laws of Kansas, prior to sentencing for such violations.
3. That the presentence alcohol and drug evaluation report shall be made available to the court prior to sentencing.
4. That the presentence alcohol and drug evaluation report shall contain:
 - a. An evaluation concerning the defendant's prior traffic record;
 - b. Characteristics and history of alcohol and/or drug problems;
 - c. Amenability to education and rehabilitation; and
 - d. A recommendation concerning the alcohol and drug driving safety education and treatment for the defendant.

5. The duties of persons who prepare the presentence alcohol and drug evaluation report may include:
 - a. Appearing at sentencing and probation hearings in accordance with the orders of the court;
 - b. Monitoring defendants in the treatment and education programs;
 - c. Notifying the probation department and the court of any defendant failing to meet the conditions of probation or referrals to treatment;
 - d. Appearing at revocation hearings as may be required; and
 - e. Providing assistance and data reporting and program evaluation.
6. To provide alcohol and drug evaluations as required by the district attorney or county attorney under the provisions of Chapter 144 of 1982 Session Laws of Kansas, for those persons entering into a diversion agreement:
 - a. After a complaint has been filed charging such person with any offense involving operating a motor vehicle under the influence of alcohol and other drugs and prior to the conviction thereof.
 - b. Reimbursement of alcohol and drug evaluations under this section shall be allowed only if the prosecuting attorney has determined that the offender is eligible for diversion and that the offender has agreed to participate in diversion.
7. Maintain records to show court finding of indigence where clients have not been required to pay the established fee for pre-sentence evaluation and sentence supervision and monitoring.
8. Acquire approval by the Purchaser of a proposal, which details the services to be delivered, a proposed budget to cover the contract period, organizational charts, and position descriptions for staff.
9. Maintain licensing or certification requirements set forth in the Alcohol and Drug Safety Action Program Standards, throughout the contract year.
10. Contract funds may be expended only for the purposes and activities set forth in Provider Section, of this contract. Any change in contract fund use must have prior written approval by the Purchaser.

11. a. To maintain fiscal books, records, documents, and other evidence and accounting procedures and practices which sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this contract.
 - b. That the records shall be subject at all reasonable times for inspection, review or audit by personnel duly authorized by the Purchaser.
 - c. To collect statistical data of fiscal nature on a regular basis, and to make fiscal statistical reports at times prescribed by, and on forms furnished by, the Purchaser.
12. a. To maintain records required by the Purchaser; and,
 - b. That a program and facilities review, including meetings with consumers, review of service records, review of service policy and procedural issuances, review of staffing ratios and job descriptions, and meetings with any staff directly or indirectly involved in the provision of services may be conducted at any reasonable time by state personnel and other persons duly authorized by the Purchaser.
 - c. To maintain program statistical records required by the Purchaser and to produce program narrative and statistical data at times prescribed by, and on forms furnished by, the Purchaser.
13. To retain all books, records, and other documents relevant to this contract for three years after final payment, and any persons duly authorized by the Purchaser shall have full access to and the right to examine any of said materials during said period.
14. That no contract or agreement may be entered into by the Provider for achievement of program activities or provision of services with a contractor, other than purchases of supplies or standard commercial or maintenance services.
15. a. That Provider shall not assign this contract without prior written approval of the Purchaser and subject to such conditions and provisions as the Purchaser may deem necessary.
 - b. No approval by the Purchaser of an assignment shall be deemed to provide for the incurrance of any obligation on the part of the Purchaser.

Purchaser and Provider mutually agree:

1. The terms of this contract shall commence on the 1st day of July, 1982, and terminate on the 30th day of June, 1983.

2. For the purposes of this contract, a presentence alcohol and drug evaluation is defined as an evaluation which occurs after an offender has been found guilty of, or has plead "nolo contendere" to, a violation of Chapter 144 of 1982 Session Laws of Kansas, and prior to a sentence by the courts.
3. For the purposes of this contract, an evaluation performed for those persons entering into a diversion agreement is defined as an evaluation which;
 - a. Occurs after a complaint has been filed charging such person with any offense involving operating a motor vehicle under the influence of alcohol or other drugs and prior to the conviction thereof;
 - b. The prosecuting attorney has determined that the offender is eligible for diversion; and,
 - c. That the offender has agreed to participate in diversion.
4. It is further agreed that, in the event fees have not been remitted to the State Treasurer, by the referring court, on behalf of the recipient(s) of Provider services, the obligations of the parties shall thereupon be terminated or reduced; provided that any termination of this contract shall be without prejudice to any obligations or liabilities of the parties already accrued prior to such termination.
5. Representatives of the Purchaser are authorized to make periodic monitoring visits to all projects. The overall purpose of any such visit will be to aid in the success of the project. As a part of this overall purpose, project programs will be assessed, and successes and problems will be noted. Problems will be discussed with project personnel to determine appropriate corrective action.
6. The use or disclosure by any party of any information concerning a recipient for any purpose not directly connected with the administration of the Purchaser's or the Provider's responsibilities with respect to purchased services hereunder is prohibited except on written consent of the recipient, his responsible parent or guardian, or upon the order of an appropriate court. Violations of 42 CFR, Part 2, and Chapter 268 of 1982 Session Laws of Kansas, shall be grounds for termination of this contract.
7. For reimbursement purposes under this contract, paid evaluations are defined as:
 - a. Presentence alcohol and drug evaluations performed pursuant to Provider Section, item 2, and Mutual Section, item 2;

- 1) For which an \$85 fee has been paid to the court;
and
- 2) Such fee has been credited to the Alcohol and Drug Safety Action Program fund by the State Treasurer;
- b. Diversion alcohol and drug evaluations performed pursuant to Provider Section, item 7, and Mutual Section, item 3;
 - 1) for which an \$85 fee has been paid to the court;
and,
 - 2) Such fee has been credited to the Alcohol and Drug Safety Action Program fund by the State Treasurer.
8. Requests for reimbursement under the provisions of this contract must be submitted on the forms and in the manner prescribed by Alcohol and Drug Abuse Services (ADAS).
9. Requests for reimbursement for paid evaluations for any preceding calendar month must be submitted to ADAS by the 10th day of each month. Requests received after that date will not be processed until the 10th day of the following month.
10. Separate requests for reimbursement must be submitted by the Provider for each court.
11. Requests for reimbursement will not be processed for payment unless sufficient funds exist in the state alcohol and drug safety action program fund for the actual evaluation performed.
12. Any alterations, variations, modifications, or waivers of provisions of this contract shall only be valid when they have been reduced to writing, duly signed, and attached to the original of this agreement. This contract shall be subject to renegotiation upon changes in federal or state laws or revisions to said laws or regulations.
13. Neither party hereto shall be held responsible for delay or failure to perform hereunder when such delay or failure is due to fire, flood, epidemic, strikes, acts of God or the public enemy, unusually severe weather, legal acts of the public authorities, or delays or defaults caused by public carriers, which cannot reasonably be forecast or provided against.
14. Unless the Provider's default is excused under the provisions of this agreement, the Purchaser may, by written notice of default to the Provider, terminate the whole or any part of this contract only where the Purchaser has reason to believe, in any of the following circumstances, that the Provider:

- a. Is mishandling contract funds;
 - b. Is unable to carry out the project properly, or on schedule;
 - c. Fails to comply with corrective action plans within 10 days;
 - d. Violates the provisions contained in the Contractual Provisions Attachment (Form DA-146a);
 - e. Fails to submit proper reports on schedule;
 - f. Fails to obtain and/or maintain licensing and/or certification; or
 - g. Where the anticipated continuation funds become unavailable.
15. In the event that the contract is terminated, the Purchaser will notify the Provider in writing:
- a. Of its decision;
 - b. Specify the reason(s); and
 - c. Allow the Provider a reasonable time to terminate the project operations, provided that reasonable time shall not exceed ten (10) days.
16. A contract which is terminated prior to the contract ending date will be subject to the same requirements regarding audit, record-keeping, and submission of reports and other materials as a contract which continues until the duration of a contract period.
17. This contract may be cancelled by either party at any time, with or without cause, upon 30 days notice, in writing, and delivered by mail or in person.
18. This contract may be renewed and continued for subsequent annual periods by written acknowledgment of both parties.
19. The provisions found in Contractual Provisions Attachment (Form DA-146a), which is attached hereto and executed by the parties to this agreement, are hereby incorporated in this contract and made a part hereof.
20. This contract contains all the terms and conditions agreed upon by the parties. All items incorporated by reference are to be attached. No other understandings, oral or otherwise, regarding the subject matter of this contract, shall be deemed to exist or to bind any of the parties hereto.

21. The Provider agrees to assume responsibility for and to indemnify, protect, save and hold harmless Purchaser from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including attorney fees), and negligence of whatsoever kind in nature, imposed on, incurred by, or asserted against Provider which are in any way related to or arise out of the terms and conditions of this contract, unless caused by the sole negligence of Purchaser or its agents.
22. This agreement constitutes the whole agreement between the parties and it is mutually understood and agreed that no alternative or variation to the terms of this agreement shall be valid unless amendments hereto are made in writing and agreed to by both parties.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures the date first above written.

Secretary, SRS

Provider

CONTRACTUAL PROVISIONS ATTACHMENT

Important. This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision:

"The provisions found in Contractual Provisions Attachment (form DA-146a), which is attached hereto and executed by the parties to this agreement, are hereby incorporated in this contract and made a part hereof."

The undersigned parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being dated the ___ day of _____, 19___.

1. TERMS HEREIN CONTROLLING PROVISIONS

It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.

2. AGREEMENT WITH KANSAS LAW

All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.

3. TERMINATION DUE TO LACK OF FUNDING APPROPRIATION

If, in the judgment of the Director of Accounts and Reports, State Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.

4. DISCLAIMER OF LIABILITY

Neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor for any liability whatsoever.

5. ANTI-DISCRIMINATION CLAUSE

The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 *et seq.*) and to not discriminate against any person who performs work hereunder, because of race, religion, color, sex, physical handicap unrelated to such person's ability to engage in this work, national origin or ancestry; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 1978 Supp. 44-1031; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such act by the Kansas Commission on Civil Rights, shall constitute a breach of the contract and it may be cancelled, terminated or suspended in whole or in part by the Director of Purchases, State Department of Administration.

Parties to this contract understand that subsections (b) through (e) of this paragraph number 5 are not applicable to a contractor who employs fewer than four employees or whose contract with this agency of the Kansas state government total less than \$5,000 during this fiscal year.

6. ACCEPTANCE OF CONTRACT

This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.

7. ARBITRATION, DAMAGES, WARRANTIES

Notwithstanding any language to the contrary, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges; and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.

8. REPRESENTATIVE'S AUTHORITY TO CONTRACT

By signing this document, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this document on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.

9. RESPONSIBILITY FOR TAXES

The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.

10. INSURANCE

The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the state to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 1979 Supp. 75-6101 *et seq.*), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.

Provider
Vendor/Contractor.

Social & Rehabilitation Services
Agency Head/Authorized Representative:

Date

Signature

Date

Signature

Title

Title

K · A · N · S · A · S
WINE & SPIRITS
WHOLESALE ASSOCIATION, INC.

Attach S

MEMO: April 18, 1983
TO: Members of the House Federal and State Affairs Committee
FROM: Kansas Wine and Spirits Wholesalers Association
RE: S.B. 429

"IF YOU ARE NOT PART OF THE PROBLEM, YOU ARE PART OF THE SOLUTION."

This memorandum is an effort to assist this Committee in avoiding the problems that S.B. 429 creates, and thus, creating solutions to the preception that the State of Kansas is not collecting the revenues it should from the 10% drink tax.

WHAT DOES SUBSTITUTE S.B. 429 DO IN ITS CURRENT FORM?

It imposes unreasonable burdens on the wholesaler tier of the alcoholic beverage industry by making wholesalers responsible for the "stamping," invoicing, and initial collection of the new tax imposed. It will cause delays in the chain of distribution, and will increase costs of products to all consumers. (See Appendix "A")

DOES THIS BILL CREATE NEW TAXES?

YES! These are new taxes because the drink tax on spirits will no longer be collected, although a 10% tax will still be collected on the sale of all beer. Thus, we do not know how much tax will be collected at the wholesale tier by applying a 50% tax to all sales made to retailers intended for resale to clubs. Our projections estimate that the State will lose tax revenues under the new procedure. For example, The Alcoholic Beverage Control has computed that RETAIL SALES TO CLUBS equal \$25 million (this includes their mark-up). If you factor out the minimum mark-up, that means cost of acquisition for all retail sales to clubs is approximately \$18.6 million (based on spirit sales of 66%, wine of 11%, and beer of 23%). Fifty percent of spirits and wine tax collections = \$7.6 million with beer collections of \$1.7 million total collections = approximately \$9.3 million; and the State anticipates collections of \$9.4 million on the current 10% tax for FY '84. This is only an estimate as there is no precipe way of knowing.

WHAT SHOULD THIS BILL DO?

The original version of SB 429 created a workable solution. It provided a distribution of "stamped" goods by the retailer directly to the clubs. The retailer already reports their sales to the State, and thus, no new accounting mechanisms need to be created. ALTERNATIVELY, the Director of Taxation had proposed that the retailers continue to make these reports, but that the clubs make their tax payments based on a flat rate per case as opposed to remitting on the basis of 10% of gross receipts of drink sales. (See summary sheet attached showing comparisons)

Attch S

WHY IS ORIGINAL S.B. 429 OR THE DIRECTOR OF TAXATION'S PROPOSAL BETTER?

Because first, the mechanism already exists to make the collections and report the sales. Secondly, under either system, the tax audit is easier. Collections are no longer based on a percentage tax, but on a flat rate that can be calculated based on case sales. The State monitors case sales, and can "track" case sales. It is extremely difficult to "track" how many drinks are sold in Kansas.

WHAT SHOULD THE COMMITTEE CONSIDER UNDER ANY PROPOSAL?

The stamps should be revenue stamps, i.e., they should have a value. Liters should be taxed at the rate of \$4.00, and 1.75 L. at the rate of \$7.00 per bottle. This will assure collection because we can trace the number of bottles and cases sold. If the stamp has a cost, it will not be abused as would mere identification stamps.

The Retailer should be the collector of the tax from the club, and the club should pay the tax when they acquire the product. Whether the club remits this directly to the State or through the retailer is best determined by the department that must administer this program.

If wholesalers are to be the collectors of this tax, then they should be allowed to "bulk sales" club goods to retailers. Individual invoices for all club sales are unworkable. Retailers will not have adequate inventory to service their accounts, and costs associated with the individual processing of such orders will increase wholesaler costs upwards of \$5 million.

If wholesalers are to be the collectors of this tax, then they should be allowed to impose a separate service charge for this work. In this manner, all consumers will not be paying because of the ill created by the failure of some clubs to pay their taxes.

SUMMARY:

Substitute SB 429 was intended to be an improved tax collection bill. What it has become is a bill which increases cost of goods and reduces taxes to the State. Original SB 429 was a collection bill as was the proposal of the Director of Taxation. We believe that the Director of Taxation with the enforcement tools given him last year has done an excellent job of improving collections. The increases in collections to \$9.4 million for FY '84 evidences that fact.

ULTIMATE SOLUTION:

Increase penalties for cheaters. Revoke licenses and impose fines. Do not penalize consumers, honest industry members and those who have been paying their fair share of this tax.

Your attention to and consideration of these matters is appreciated.

APPENDIX "A"

PROBLEMS WITH SUBSTITUTE SB 429

There are many problems connected with Substitute SB 429.

- The clubs would have to anticipate their needs from a retailer many more days or as much as a week in advance because of wholesaler delivery schedules. It would be extremely difficult for a club to anticipate all of their needs several days or a week in advance.
- In order to serve their patrons, a club would have to greatly increase their investment by having a much larger inventory. Even then the club could not be confident of having all items needed because of unexpected special events and requests.
- Retailers would be prohibited from filling club orders unless placed days or a week in advance with a wholesaler.
- Retailers would be prohibited from filling orders without going through the long "red tape" procedure. A club could not just go to a store and make a purchase.
- Retailers would have a greater investment in inventory because of the lapse of time between receiving an order from a wholesaler and the time of sale to the club.
- Consumers would or might be inconvenienced by a club's unavailability of brands.
- Processing club orders separately and affixing special club stamps would be expensive for wholesalers resulting in higher prices for all consumers.
- Computing the club tax on the basis of 50% of case cost would be more difficult to compute than a flat rate tax of so much per case or bottle. This could also adversely affect tax collections.

S U M M A R Y

BACKGROUND

At the present time, all clubs are required to pay to the State a tax of 10% on gross receipts of drink sales. The Department of Revenue feels some clubs are not paying as much tax as they should. The original purpose of SB 429 was to insure higher tax collections from clubs.

ORIGINAL SB 429

The original SB 429 provided that retailers should affix a special club stamp on all bottles going to clubs. These stamps would reflect that the retailer had collected \$50.00 per case on spirits, \$1.00 per liter on wines, and \$3.00 per case on strong beer. Retailers were to collect these taxes from the clubs at the time of the club purchase and remit these taxes to the State. These taxes would be in lieu of the present club tax of 10% on gross receipts of drink sales. Clubs would not be permitted to have any bottles on their premises not bearing the special club stamp. It is a violation of Federal law to refill a bottle.

The Bill also gave the retailers the option to deliver to clubs and provided retailers could sell to clubs at less than 10% above their cost.

SUBSTITUTE SB 429

The Substitute SB 429 provides that a club shall order from a retailer, -- the retailer shall in turn place the order with a wholesaler, -- the wholesaler shall affix the special club stamps, -- invoice each club order separately to the retailer, -- and collect the club tax from the retailer at the time the merchandise is delivered to the retailer. The retailer is then required to collect this tax from the club at the time of the club's purchase. The Substitute Bill provides for a tax of 50% of the retailer's case cost on all spirits and wines. The club is required to pay a tax of 10% directly to the State on all club sales of beer. The minimum selling price to clubs shall be 15% of the current case cost to retailers on wines and spirits. The Substitute Bill continues the option for the retailers to deliver.

SOLUTIONS

The simplest solution is to put "more teeth" in the present collection process by requiring more reports from retailers on all club sales, -- more reports from the clubs on what they have purchased, -- and a remittance from the club on all taxes due. Increased penalties should be prescribed for retailers and clubs failing to file appropriate reports.

IF there is a need for special club stamps they should be affixed by the retailer at the time of sale to the club and the tax represented by the stamps collected from the club at that time. The retailer would then be required to remit these taxes to the State, the State being protected by a bond.

This procedure would be more convenient and beneficial to consumers, clubs, retailers and wholesalers in the following ways:

- Clubs could purchase from retailers on a relatively short-notice basis.
- Clubs would not have to carry an excess inventory.
- Club patrons and all consumers would have greater availability of items at the lowest possible costs.
- Retailers could use their inventories for sales to clubs or other customers.
- With these changes the State should achieve maximum tax collections.

K · A · N · S · A · S
WINE & SPIRITS
WHOLESALE ASSOCIATION, INC.

Attach T

FORMULA USING PERCENTAGE (50%) OF *CASE PRICE

*Current posted cost of case (1.0L) from wholesaler to retailer. April 1983 price.

| | Cost Per Case | Tax @ 50% |
|--------------------------------------|-----------------|-----------------|
| BOURBON McCormick Green | \$ 57.48 | \$ 28.74 |
| BLENDS Beam 8 Star | 49.08 | 24.54 |
| CANADIAN Canadian Club Harwood | 101.40 66.00 | 50.70 33.00 |
| SCOTCH Dewars House of Stuart | 129.36 63.96 | 64.68 31.98 |
| VODKA Viaka | 44.40 | 22.20 |
| GIN Cambridge | 47.64 | 23.82 |
| RUM Ron Rio | 53.40 | 26.70 |
| TEQUILA Rancho Grande | 51.96 | 25.98 |
| | <u>\$664.68</u> | <u>\$332.34</u> |

Tax Revenue @ 50% of case cost = \$332.34

Tax Revenue @ \$50.00 per case = \$500.00

10 cases @ 312 drinks per case = 3,120 drinks

3,120 drinks @ \$1.65 = \$5,148.00

Tax collected under present (10%) law = \$514.80

Tax collected @ 50% of case cost = \$332.34

Tax collected @ \$50.00 per case = \$500.00

--Kansas Wine and Spirits
Wholesalers Association

Attach T

Attorneys at Law

Ratner, Mattox, Ratner, Barnes & Kinch, P. A.

444 NORTH MARKET • POST OFFICE BOX 306
WICHITA, KANSAS 67201-0306
316/262-6423

PAYNE H. RATNER (1896-1974)
PAYNE H. RATNER, JR.
CLIFF W. RATNER
RICHARD R. BARNES
E. L. KINCH
—
BRUCE A. SWENSON
ASSOCIATE
—
LOUISE MATTOX
OF COUNSEL
—
OF THE KANSAS BAR

April 13, 1983

Attach U

KANSAS CITY, KANSAS OFFICE
200 HURON BUILDING
913/321-2619
WILLIAM L. ROBERTS, OF THE KANSAS BAR
ASSOCIATE

DENVER, COLORADO OFFICE
3090 W. 72ND AVE., WESTMINSTER, COLO.
303/427-1414
RICHARD B. BAUER, OF THE COLORADO BAR
SAMUEL E. FLEMING JR., OF THE COLORADO BAR
ASSOCIATES

TOPEKA, KANSAS OFFICE
310 COLUMBIAN TITLE BUILDING
820 QUINCY STREET 66612
913/232-5320
TOM GREEN, OF THE KANSAS BAR
ASSOCIATE

Senator Robert V. Talkington
Box 725
Iola, Kansas 66749

RE: Kansas Retail Liquor Dealers Association

Dear Senator Talkington:

During the veto session you will undoubtedly hear about or have a chance to consider various proposals dealing with the issue of liquor. The Kansas Retail Liquor Dealers Association can sympathize with your distain for such issues at this late date in the session, but those individuals who seek to change our laws seem to prefer the cover of the confusion of the last days of the legislature. The purpose of this epistle is to provide you with some background information and the position of the Kansas Retail Liquor Dealers Association on those issues which you might be asked to vote on in these waning days of the legislature.

In 1948 the people of Kansas voted to allow sale of liquor in small package stores. In implementing this mandate the 1949 legislature had to consider many factors. Utmost in their consideration was the fact that the state was now in a position of opening a new market in which there was a very high demand and zero supply. In considering this unusual market situation it was decided that the interests of the state were best served by allowing the economic benefits of such a market to be disbursed as widely as possible amongst Kansas .

Atch. U

citizens. Therefore the Liquor Control Act of 1949 was designed to allow the growth of as many small business operations as possible.

There are approximately 1,100 retailers in the State of Kansas at this time. According to a Price Study done by the Department of Revenue last year the average net income of these retailers is \$8,193.99. With 60% of the retailers in the state making less than \$10,000 in 1980 it appears that the legislative intent of the Liquor Control Act has been fulfilled. However, it should be remembered that the Kansas Retail Liquor Industry is regulated by the state. The markups which retailers are allowed to charge is set by the Alcoholic Beverage Control Board pursuant to statutory mandates which include a reasonable return to the retailer. The above mentioned study found that the average retailer only netted 4.9% profit on his gross sales. This in a time when the average operating cost of the retailer was only 13% of his gross. It is the position of the Kansas Retail Liquor Dealers Association that the original intent of the Kansas Liquor Control Act was a good one and that changes which would concentrate the industry in a very few retail outlets is not in the best interest of Kansas or the consumer. (See the enclosed editorial by Huck Boyd of the Phillips County Review.)

The Kansas Retail Liquor Dealers Association has sought or supported several minor changes in the Liquor Control Act and associated laws to deal with the very minor problems which exist in the industry. Two of those items are awaiting the Governor's signature at this writing, including those provisions tightening up the laws concern use of false identification by minors to purchase alcohol. The last minor changes which the KRLDA would like to see enacted this session are contained in SB 305 which is currently on generals orders in the House. The two provisions of this bill would reduce the residency requirements for a retail licensee to five years in the state and one year in the county. The current requirements are ten years in the state and five years in the county. The other provision of 305 would allow the spouse of a retail licensee to work in a private club licensed under the Kansas Statutes.

The above mentioned issues were those few which the KRLDA felt needed to be addressed by this session of the legislature. The Liquor Control Act has worked well and as it was intended to provide an orderly market for distribution of liquor in Kansas. Therefore, KRLDA felt no other changes were necessary. However, nearly 50 bills were introduced in this session of the legislature dealing with or effecting the liquor industry or alcoholic treatment programs in some fashion. Many of those bills have either been defeated or are resting comfortably for the remainder of the session. There are a few bills still active which caused the Kansas Retail Liquor Dealers Association great consternation.

Substitute SB 429 is strongly opposed by KRLDA. This bill basically provides three things:

- (1) requires the wholesale liquor distributor to collect and report the 10% drink tax, based on a 50% of wholesale price, requiring the distributor to affix identification stamps to bottles sold to the retailer for resale to the private club. The retailer will have to pay the 50% tax when purchasing stamped bottles from the distributor then collect the tax from club.
- (2) reduces the minimum markup on sales to private clubs to just 15% over the posted case costs,
- (3) requires that the 10% drink tax be charged to 3.2% beer sales for the first time.

The announced purpose of SB 429 was to improve the state's collection of the 10% tax levied in private clubs. There was a consensus in the Senate hearings that there were some clubs not paying this tax. Though there was a conflict between the ABC Director and other Department of Revenue sources concerning the amount of the shortfall from collection of this tax, the Senate Ways and Means

Subcommittee devised a rather complicated mechanism to attempt to improve these collections. The Kansas Retail Liquor Dealers Association recognizes there might be a problem and are more than willing to aid the state by collecting the tax on the liquor when it is sold to a private club and by working with ABC's enforcement individuals.

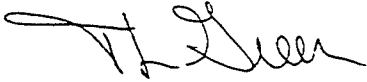
Those provisions of Substitute SB 429 which reduce the minimum markup for private club sales to just 15% over the posted case cost, KRLDA strongly opposes. The Retail Liquor industry in Kansas is highly regulated and is currently made up of a large number of small independent business persons. To penalize these individuals by reducing their markup on club sales while rewarding the very clubs who have been cheating on the payment of their taxes is repugnant. Instead of rewarding such conduct, the legislature ought to be looking at a procedure to enforce and sanction the current tax collection evasions.

SB 429 also penalizes all consumers who purchase goods from members of KRLDA while rewarding the private clubs. The Kansas Wine and Spirits Wholesalers Association has estimated the costs associated with the tax collection and stamping program required by Substitute SB 429 to be approximately One Million Dollars per year. This is a direct cost of doing business which will be incorporated in the distributor's price structure and passed through to the shelf price and consumer. This bill has the effect of a One Million Dollar gallonage tax which will be passed on to all consumers, not just the clubs.

The Kansas Retail Liquor Dealers Association suggested alternative approaches to the supposed problem addressed by Substitute SB 429 to the Senate Ways and Means Committee and the Senate as a whole. These suggestions were never seriously considered and the result is a very unworkable and unacceptable plan for dealing with a problem which may or may not exist in the magnitude suggested by the sponsors of Substitute SB 429. KRLDA would respectfully request that you oppose Substitute SB 429 in its current form.

If you have any questions concerning this matter or any other liquor issue during the veto session, please do not hesitate to contact one of us.

Sincerely,

A handwritten signature in cursive script, appearing to read "T. L. Green".

Payne H. Ratner, Jr.
Tom Regan
T. L. Green

TLG/mbb

Leave well enough alone

At the general election in 1948, Kansas voters amended the constitution to permit the sale of liquor at package stores. By the time the vote was certified, large corporate entities had been put together to monopolize the distribution of nearly every well-known brand name in the industry.

The Legislature, at the 1949 session, moved promptly to prevent this concentration of "big money" in the liquor business. Enabling legislation required every distiller to sell to every Kansas wholesaler at the lowest price offered anywhere in the United States. These wholesalers, in turn, were required to sell to every retailer at the same price as established under statutory provisions.

The effort to monopolize the sale of liquor was stopped in its tracks. Any citizen, not convicted of a felony, who had lived in Kansas for 10 years and in the county for five, could get a license. Small package stores, owned by independent operators, took the place of the giant liquor supermarkets which have developed in other states.

Strict controls were adopted. Liquor stores were not permitted to make gifts, or handle anything else. No deliveries could be made. No credit could be given. The market was orderly. "Mom and Pop" stores provided a modest living for operators. The impact of "big liquor" in the public arena did not reach Kansas.

During the 1978 session of the Legislature, the restriction on the sale of liquor by manufacturers to wholesalers was lifted. Monopolies over certain brands have now developed. A handful of wholesalers control the bulk of the Kansas distribution.

Now an effort is being made to remove other liquor control restrictions. Should it succeed, many small independents will be forced out of business by supermarket liquor combinations.

They may be bigger, but are they better?

Advertising heavily, pushing brands, cutting prices, encouraging increased consumption, and permitting the concentration of "big money" in the liquor business, proposed legislation would completely negate the intent of the original liquor control law.

The Kansas system has worked well, without scandal, for 35 years. This is one of the times when the Legislature would do well to leave things alone.

Attach V

MEMORANDUM

TO: Honorable Neal Whitaker
Chairman, House Federal and State Affairs

FROM: THOMAS J. KENNEDY, Director, ABC Division

RE: Substitute for Senate Bill 429

DATE: April 19, 1983

PURPOSE

Substitute for Senate Bill 429, if enacted in its present form, is an act concerning alcoholic beverages; relating to minimum mark-ups on certain sales to clubs; concerning taxes on certain sales and purchases by clubs and disposition of revenue therefrom; providing for certain deliveries to clubs; amending K.S.A. 41-1111 and 41-308 and K.S.A. 1982 Supp. 79-3606 and 79-41a01 through 79-41a04 and repealing the existing sections.

PERSPECTIVE

1. General provisions of Substitute for Senate Bill 429 are:
 - A. It removes clubs from the provisions of K.S.A. 41-1111 through 41-1121, minimum percentage mark-up for sales by retail liquor stores.
 - B. Sets the minimum mark-up on all sales of alcoholic liquor, except beer, by retailers to clubs at 15%.
 - C. Provides that retailers may deliver alcoholic liquors to a club premises and require payment for the alcoholic liquor at time of delivery or the club could pre-pay.
 - D. The definition of "Gross Receipts" from the sale of alcoholic liquor has been changed to beer and cereal malt beverage only since these are the only items taxed at the club under this act.
 - E. A tax at the rate of 10% upon the gross receipts derived from the sale of beer and/or cereal malt beverage by any club has been imposed.
 - F. The distribution formula for funds in the local alcoholic liquor fund of the state treasurer has been changed.
 - G. A tax is imposed at the rate of 50% upon the wholesale price of all spirits and wines purchased by a club. This tax shall be collected by the distributor from the retailer who in turn will collect it from the club.

Attach. V

- H. A tax stamp shall be affixed by the distributor to each bottle of spirits and wine sold to a retailer for a club.
- I. A provision is included for invalidating the stamps.
- J. A tax is imposed on inventory on hand on October 1, 1983, the effective date of the bill.

2. ASSUMPTIONS:

- A. Total purchases of spirits, wine and strong beer by private clubs from retail liquor stores, FY 83: \$25,020,973. See Enclosure #1.
- B. Percentage of purchases of spirits, wine and strong beer by clubs from retailers is:

| | | |
|----------------|------------|------------------------|
| 1. Spirits | 66% | or \$16,513,842 |
| 2. Wine | 11% | or \$ 2,752,307 |
| 3. Strong beer | <u>23%</u> | or <u>\$ 5,754,824</u> |
| TOTALS: 100% | | <u>\$25,020,973</u> |
- C. Total purchases of cereal malt beverage by clubs from CMB distributors is about the same as strong beer purchases or \$5,754,824.
- D. Percentage mark-up on strong beer is approximately 300% or more depending on club. Most strong beer is sold in can or bottle and sells from \$1.00 to \$2.25 depending on club and if domestic or import beer.
- E. Percent mark-up on cereal malt beverage is approximately 400% or more depending on club and size of container. Computations based on 12 oz. glass at average selling price of \$1.00.
- F. Minimum percentage mark-ups on alcoholic liquors for retailers, established by the Alcoholic Beverage Control Board of Review, effective July 1, 1983 are:

| | |
|-----------------|-----------------------------|
| 1. Spirits | 28.5% |
| 2. Cordials | 31.5% |
| 3. Wines | 40.5% |
| 4. Strong beer: | No minimum percent mark-up. |

NOTE: a. The minimum percentage mark-up used by retailers is based on bottle cost and not case cost. The difference is about 1 to 1½% more.

- b. Consumers and private clubs may receive a 10% discount on purchases of a case or more in each category.
- G. Substitute Senate Bill 429, if enacted in its present form, is effective October 1, 1983. This means the clubs will collect the gross receipts tax of 10% from consumers on spirits, wine and strong beer for the first three (3) months of FY 84. Sales tax only will be collected on cereal malt beverage purchases by consumers in clubs during this three (3) month period. Then for the balance of FY 84 or the remaining nine (9) months tax collected will be as follows:
1. Spirits and wine tax: Based on 50% of the distributor case cost to the retailer, collected by the distributor from the retailer who in turn will collect it from the club. Distributors remit to the state.
 2. Beer and/or cereal malt beverage: Based on 10% of the gross receipts from the drink and any ingredient added thereto, collected by the club from the consumer and remitted to the state.
- H. Presently, 1,221 clubs are remitting the 10% gross receipts tax to the state on spirits, wine and strong beer. If Substitute Senate Bill 429 is enacted, fifteen (15) distributors will be remitting to the state, taxes collected on wine and spirits, and 1,221 clubs will be remitting taxes collected from consumers on beer and/or cereal malt beverage.
3. A summary of Substitute for Senate Bill 429, if enacted in its present form, is as follows:
 - A. Section 1 amends K.S.A. 41-1111 to read as follows:

"(b) As used in K.S.A. 41-1111 through 41-1121, and amendments thereto, 'consumer' means a person purchasing alcoholic liquor for consumption and not for resale and does not include a club licensed pursuant to article 26 of Chapter 41 of the Kansas Statutes Annotated."
- COMMENT: This removes clubs from the provisions of K.S.A. 41-1111 through 41-1121, the minimum percentage mark-up, for sales by retailers.
- B. New Section 2 provides that the minimum mark-up on all sales of alcoholic liquor, except beer, by retailers to clubs shall be 15% of the current posted case cost of the alcoholic liquor, except beer to the retailer.

COMMENT: Presently, clubs are charged the minimum percentage mark-up based on bottle cost less 10% caselot discount. Minimum percentage mark-ups effective July 1, 1983 are:

| | |
|----------|-------|
| Spirits: | 28.5% |
| Cordials | 31.5% |
| Wines | 40.5% |

NOTE: Bottle cost is generally 1 to 1½% more than case cost per bottle.

If this bill is enacted, the clubs will probably be saving from 3½% to 5% on spirits, from 6½% to 8% on cordials and 15½% to 17% on wines, if the retailer sells at the 15% minimum percent mark-up. Likewise, the retailers profit will be reduced by the same amount. It should be noted that the 15% mark-up is minimum and retailers can charge whatever they wish over the 15%.

RECOMMENDATION: This is strictly a legislative policy decision and we have no recommendation.

C. K.S.A. 41-308 is amended to provide that a retailer may deliver alcoholic liquor in the original package from the retail store to a private club and the retailer may accept payment for the sale of alcoholic liquor at the point of delivery to the club, or the club could pre-pay.

COMMENT: We see no problems with permitting retailers to deliver club orders and collect upon delivery.

D. K.S.A. 1982 Supp. 79-41a01 is amended to read:

"Gross receipts derived from the sale of beer or cereal malt beverage" means the amount charged the consumer for a drink containing beer or cereal malt beverage, including any portion of that amount attributed to the cost of any ingredient mixed with or added to the beer or cereal malt beverage contained in such drink.

COMMENT: Eliminating spirits and wine from the gross receipts tax to be collected from consumers will leave only strong beer. Total purchases of strong beer by clubs was 23% of the total purchases by clubs, or \$5,754,824.

This bill adds cereal malt beverage to the gross receipts tax to be collected from consumers at clubs, therefore, the gross receipts tax will be collected on both beer and cereal malt beverage sold by clubs to consumers.

- E. Section 6 amends K.S.A. 1982 Supp. 79-41a02 to read: "There is hereby imposed for the privilege of selling beer or cereal malt beverage, a tax at the rate of 10% upon the gross receipts derived from the sale of beer or cereal malt beverage by any club. The tax imposed shall be paid by the consumer to the club and the club shall remit this amount to the state."

COMMENT: Considering that 23% of sales by retailers to private clubs was beer with a value of \$5,754,824, and the clubs purchased an equal amount of cereal malt beverage from the distributors, total purchases of beer and CMB amounted to \$11,509,648, (\$5,754,824 for beer and \$5,754,824 for CMB.)

- F. New Section 10 provides:

(1) There is hereby imposed a tax at the rate of 50% upon the wholesale price of all spirits and wine purchased by a club. The tax imposed shall be paid by the club. It shall be the duty of each retailer to collect from the club the full amount of the tax, or an amount equal as nearly as possible or practicable to the average equivalent thereto, and it shall be the duty of each distributor to collect from the retailer the full amount of the tax, or an amount equal as nearly as possible or practicable to the average equivalent thereto. Each distributor collecting the tax imposed shall be responsible for paying it over to the state.

COMMENT: If it is the intent that the distributor collects the tax from the retailer at the time of delivery of the merchandise to the retailer, then New Section 10 should be clarified. As we visualize the transaction, the club places the order with the retailer who would in turn place the order with the distributor. The distributor would fill the order, invoice it, compute the 50% tax based on the case cost to the retailer, add this amount to the invoice and then deliver the order to the retailer and collect for same. The retailer, upon receiving the invoice, would subtract the tax from the total of the invoice, add the retailers percentage mark-up to the cost of the merchandise, add 4% enforcement tax, then add the amount of tax that was computed by the distributor based on case cost, then deliver the order to the club and collect the total of the invoice.

This is the reason for the recommendation for clarification.

- G. New Section 11 provides that the tax imposed by Section 10 shall become due and payable by the distributor monthly, or on or before the last day of the month immediately succeeding the month in which it is collected.

Subsection (b), provides for monthly reports by distributors to the secretary of revenue on total amounts of spirits, wine and beer purchased by a club from retailers accompanied by the tax disclosed thereby.

COMMENT: The tax on beer imposed by this bill is a gross receipts tax collected from consumers by clubs who report and remit it to the state. The distributors do not compute the tax on beer and therefore beer should be deleted from New Section 11(b).

In Subsection (c) and (d), it is necessary for beer to be included to facilitate the examination of books because all strong beer is purchased by the club from a retail liquor store.

- H. New Section 12 provides that each distributor shall affix to each original package of spirits or wine purchased by a retailer for sale to a club, a tax stamp evidencing the tax paid pursuant to this act. The stamps shall be furnished by the Director of ABC and shall be affixed as prescribed by the director. All such stamps shall be dated and numbered serially.

COMMENT: We see no reason for dating the stamps. They will be serially numbered and dating the stamps would be more of an inconvenience and additional expense for the distributor than it would serve as an enforcement tool. Recommend that the words: "dated and" on line 679 be deleted.

- I. New Section 13 provides for invalidating the stamp by the club when the bottle is emptied, so the bottle cannot be reused.

COMMENT: NONE

- J. New Section 14 provides: (1) Clubs shall maintain accurate and separate records.

(2) Clubs shall not possess or permit any person to possess on the club premises any spirits or wine on which the tax has not been paid or to which a tax stamp has not been affixed except that before December 1, 1983, a club may have on its premises spirits or wine purchased by the club prior to October 1, 1983, to which a tax stamp has not been affixed pursuant to this act.

(3) Clubs shall not possess or permit any person on the club premises to possess any empty spirits or wine package on which the tax stamp affixed pursuant to this act has not been invalidated as required by this act.

(4) The penalty provision for violation.

COMMENT: Subparagraph (2) above will eliminate members from bringing bottles onto the club premises. Is this your intent?

K. New Section 15 provides that no retailer shall knowingly fail to: (a) make accurate reports, maintain them and allow for their inspection; (b) collect any tax required; sell to any club any original package of spirits or wine to which a stamp has not been affixed.

COMMENT: NONE

L. New Section 16 provides that no distributor shall knowingly fail to:

(a) Make an accurate report, maintain accurate and separate records or allow inspection of books and records.

(b) Collect any tax as required by Sections 10 and 11.

(c) Affix to any original package of spirits or wine any tax stamp required by this act.

COMMENT: NONE

M. New Section 17 provides that:

(a) On October 1, 1983, a tax is imposed on spirits and wine owned at 12:01 A.M. on October 1, 1983, by a club. The tax shall be at the following rates:

1. For spirits, \$50 per case.

2. For wine, \$1 per liter or fraction of a liter.

If spirits which were purchased by the case is in a quantity less than a whole case, the tax imposed shall be proportional to that fraction part of a case owned.

(b) The tax imposed shall be paid by the club owning the spirits or wine. On or before November 1, 1983, each club shall make a report to the secretary of revenue showing the total number of cases of spirits and liters of wine owned by the club at 12:01 A.M. on October 1, 1983. The report shall be accompanied by payment for the tax due.

(c) All taxes collected by the secretary of revenue shall be paid to the state treasurer who shall deposit the entire amount in the state treasury, and shall credit 1/3 of the amount to the state general fund and the balance to the local alcoholic liquor fund created by K.S.A. 1983 Supp. 79-41a04 and amendments thereto.

COMMENT: NONE

COMMENTS AND RECOMMENDATIONS

1. In New Section 10, if it is the intent that alcoholic liquor distributors collect the tax from the retailer at time of delivery, then New Section 10 should be clarified.

Recommend the following language for this amendment which parallels a similar provision in the motor fuels tax section (K.S.A. 79-3409):

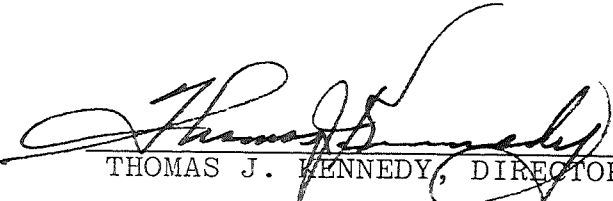
"(b) The tax imposed by this section shall be paid by the distributor. Every distributor paying such tax or being liable for the payment thereof shall be entitled to charge and collect such tax on spirits and/or wine sold or delivered by him or her, as a part of the selling price thereof. Likewise each retailer who pays such tax upon receipt of a club order from a distributor shall be entitled to charge and collect such tax on spirits and/or wine sold or delivered by him or her to the licensed club as a part of the selling price thereof."

2. As to the minimum percentage mark-up for retail sales to clubs, this is strictly a legislative policy decision and we have no recommendations.
3. As to retailers delivering to clubs, we have no objections to this.
4. If this bill is enacted in its present form, there are potential problems for clubs that run out of merchandise unexpectedly and cannot get an order for several days. This is particularly true in rural areas where the distributor delivers only weekly and the club cannot buy spot orders from the retailer.
5. In New Section 11, recommend that beer be deleted from subsection (b).
6. In New Section 12, recommend that the requirement for dating the stamp be deleted.

7. Estimated taxes to the state on an annual basis if this bill is enacted:
- | | |
|---|---------------------|
| A. Tax on spirits collected by distributor: | \$6,646,822 |
| B. Tax on wines collected by distributor: | <u>\$ 942,670</u> |
| TOTAL collected by distributor: | <u>\$7,589,492</u> |
| C. Tax on beer collected by clubs: | \$1,726,447 |
| D. Tax on CMB collected by clubs: | <u>\$2,301,930</u> |
| (new tax) | |
| TOTAL Beer & CMB Tax: | <u>\$4,028,377</u> |
| TOTAL Estimated tax to State: | <u>\$11,617,869</u> |
8. In computing tax for FY 84, if the bill is effective October 1, 1983, four (4) months (July, August, September and October) would be based on the 10% gross receipts tax on spirits, wine and strong beer and the last eight (8) months would be computed based on the tax plan of this bill, that is, spirits and wine at 50% of the wholesale case cost and beer or cereal malt beverage at the 10% gross receipts tax.
- | | |
|--|---------------------|
| A. For the first four (4) months: | \$3,066,667 |
| 1. Spirits, wine, strong beer (\$9,200,000 estimated receipts divided by 12 x 4) | |
| 2. Cereal malt beverage: | <u>-0-</u> |
| TOTAL first four (4) months: | <u>\$3,066,667</u> |
| B. Last eight (8) months: | \$5,059,661 |
| 1. Spirits and wine (7,589,492 divided by 12 x 8) | |
| 2. Strong beer | \$1,150,968 |
| 3. Cereal malt beverage | <u>\$1,574,620</u> |
| TOTAL last eight (8) months: | <u>\$7,785,249</u> |
| TOTAL FY 84: | \$ 3,066,667 |
| | <u>\$ 7,785,249</u> |
| | <u>\$10,851,916</u> |
9. Substitute for Senate Bill 429 concerns two divisions of the Department of Revenue, the Division of Alcoholic Beverage Control and the Division of Taxation.

- A. The Division of Alcoholic Beverage Control is concerned about mark-ups by retailers, delivery by retailers and collection, affixing of tax stamps by distributors, retailers selling only stamped packages of spirits and wines to retailers, invalidating of stamps by clubs, illegal purchases by clubs, and refilling by clubs, clubs possessing untaxed stamped alcoholic liquors except beer, and clubs permitting members to bring spirits or wine onto the premises which does not have the tax stamp affixed on the package, and maintaining supervision of stamps to insure only spirits and wine are purchased and stamped as provided in the act, to mention some of our concerns.
- B. The Division of Taxation is concerned about collecting the tax from the distributor, collecting the tax from clubs on beer and cereal malt beverage, the additional bonds required of distributors, the auditing of club, retailer and distributor reports to insure that the tax due the state is reported and collected, to mention a few.

The Director of Taxation is of the opinion that under the present law, the mechanism is in place for collecting the gross receipts tax from clubs and distributing receipts back to political subdivisions based on where the club is located. If the gross receipts tax is to be collected on cereal malt beverage, it is just a matter of adding this to our present system. The clubs are presently bonded, use to reporting on a monthly basis, rules and regulations are in place so clubs know what is expected in the way of sales slips, receipts, etc., plus we have the capability for suspension or revocation, all serving the same purpose of SB 429 is designed to achieve without the need for additional people. The dual system of reporting, one by distributors and one for private clubs, will cause confusion. We feel the present system is working and we are collecting the tax.


THOMAS J. KENNEDY, DIRECTOR

MEMORANDUM

TO: Thomas J. KennedyDATE: MARCH 28, 1983DirectorSUBJECT: ABC 73, Club Sale Reports from
Liquor Retail StoresFROM: Dorothy M. Mohler

Total club sales made by retail liquor stores to private clubs, taken from ABC 73 reports submitted by retailers:

| | |
|--------------------|-----------------|
| July 1982 | \$1,992,391.37 |
| August 1982 | 2,051,937.34 |
| September 1982 | 1,989,643.09 |
| October 1982 | 2,151,084.99 |
| November 1982 | 2,130,520.87 |
| December 1982 | 2,399,962.07 |
| January 1983 | 1,880,028.09 |
| Total 7 months | \$14,595,567.82 |
| Average per month | \$ 2,085,081.12 |
| 12 Months estimate | 25,020,973.44 |

BUREAU/DIVISION: Records & Reports SectionBY: Dorothy M. MohlerTITLE: Chief



Attach W

Sunflower Alcohol Safety Action Project

1301 Topeka Avenue / Topeka, Kansas 66612 / Phone (913) 354-8479

"Serving Shawnee County and City of Topeka"

Donald E. Richardson
Program Director

April 18, 1983

Gene Johnson
Program Coordinator

Jack Fitzgerald
Prevention/Education
Specialist

Billy J. Thomas
Prevention/Education
Specialist

Wanda K. Albright
Secretary

Neal D. Whitaker, Chairperson
House Federal and State Affairs
Room 112-S
State Capitol Building
Topeka, Kansas 66612

RE: Substitute S.B. 429

Dear Representative Whitaker:

Attached is a letter received by our office last week concerning Substitute S.B. 429. Mr. Gorrell's points are well taken and should be considered when your committee considers this proposed legislation.

Our agency supported Substitute H.B. 2132 in order to eliminate the bureaucratic nonsense from the operations of the Community Alcohol Safety Action projects. We believe that Substitute S.B. 429 is a "back door" attempt by S.R.S. to regain control of those projects.

In addition, we believe that the City of Topeka is recommending some amendments to this proposed legislation. In view of the positive and financial support that the Sunflower Alcohol Safety Action Project has received from the City of Topeka, we are obligated to support their amendment.

Respectfully,

Wayne E. Hindley

Wayne Hindley
Chairman, Advisory Committee

Gene Johnson
Gene Johnson
Project Coordinator

cc: Members of House Federal and State Affairs Committee

Attch. W



ALCOHOL SAFETY ACTION PROJECT



TO ASSIST IN REDUCING ALCOHOL-RELATED ACCIDENTS

Telephone: 316-232-9100 • 104 West 4th • Pittsburg, Kansas 66762 • Home Office

Telephone: 316-331-7638 • 311 East Main • Independence, Kansas 67301

Telephone: 316-431-4060 • Memorial Building • Chanute, Kansas 66720

RICHARD D. LOFFSWOLD
Administrative Judge
Project Director

E. DAVID GORRELL C.A.C.
Coordinator

BARRY A. HEITMAN
Coordinator

SHERYL HENRY
Counselor

April 7, 1983

Mr. Gene Johnson
Program Coordinator
Sunflower Alcohol Safety Action Project
1301 Topeka Ave.
Topeka, Kansas 66612

Dear Gene:

Thank you for the final draft copy of Substitute H.B. 2132.

We of the 11th Judicial ASAP Project are pleased with the legislature's response to our plea to replace SRS bureaucracy with good, clean, workable guidelines and directives in the new Kansas DUI law. This is a real tribute to you and many others whose tireless efforts to restore sanity to Kansas ASAP Programs are evident.

We do have difficulty understanding how after all the evidence that was produced to eliminate SRS bureaucratic authority from the ASAP Programs that the Senate Ways and Means Committee would turn their backs and allow Dr. Phillips to insert his "innocent" clause into the Substitute S.B. 429 that requires all agencies (including ASAP) to be licensed by SRS before those agencies share in the special alcohol and drug fund distribution on the local level.

We are convinced that our legislators did not realize or envision that the SRS license requirement is in direct opposition to the very workable and fair terminology in Substitute H.B. 2132. If the "SRS only" licensure is allowed to stand in Substitute S.B. 429, Dr. Phillips will have won control over those ASAP Programs that must share in local alcohol fund distributions to survive.

ASAP

ALCOHOL SAFETY ACTION PROJECT



TO ASSIST IN REDUCING ALCOHOL-RELATED ACCIDENTS

Telephone: 316-232-9100 • 104 West 4th • Pittsburg, Kansas 66762 • Home Office

Telephone: 316-331-7638 • 311 East Main • Independence, Kansas 67301

Telephone: 316-431-4060 • Memorial Building • Chanute, Kansas 66720

RICHARD D. LOFFSWOLD
Administrative Judge
Project Director

E. DAVID GORRELL C.A.C.
Coordinator

BARRY A. HEITMAN
Coordinator

SHERYL HENRY
Counselor

Page 2 - Mr. Gene Johnson, April 7, 1983

Please relay our anxieties to the legislature and ask that if program certification becomes a necessary requirement that the wording be changed to that terminology in Section 1.(b) of Substitute H.B. 2132 that allows certification of ASAP Programs by the respective administrative judges or SRS. Please don't give us a taste of freedom and then place us in chains again.

Yours very truly,

A handwritten signature in cursive script, appearing to read 'E. David Gorrell'.

E. David Gorrell, C.A.C.

EDG/pr



Attach X

United Community Services of Johnson County, Inc.
5311 Johnson Drive, Shawnee Mission, Kansas 66205
913/432-8424

BOARD OF DIRECTORS

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Rev. David With

Executive Director

Alice Kitchen

TO : House Federal & State Affairs Committee
FROM: Kathie Champlin, Legislative Chair
DATE: April 18, 1983
RE : Senate Bill Substitute 429

United Community Services of Johnson County is a human services planning agency. We have followed the liquor by the drink tax and wish to comment on the changes proposed in SB Substitute 429. We support the proposed changes concerning the collection of the tax. Since its inception in 1979, the tax has generated considerably fewer funds than projected. Collecting the tax at the wholesale level should result in a significant increase in revenues.

We have difficulties, however, with the proposed changes in the process for distributing the funds, particularly the new licensing and certification requirements. These concerns are outlined below.

UCS has been involved in this issue since the original legislation, SB 467, was adopted and UCS has continued to monitor its progress through its special project, the Drug and Alcoholism Council.

The Council has been designated by the Board of County Commissioners and 5 cities* in Johnson County to serve as advisor on the expenditure of local alcohol funds. As advisor, the Council reviews program applications and submits funding recommendations to the participating jurisdictions. This process was implemented in 1980 and has proven to be an effective means of allocating funds through a local decision making process.

*The 5 cities are Leawood, Olathe, Overland Park, Prairie Village, and Shawnee

Attach X

Passage of Senate Bill 429 may potentially jeopardize the local decision-making process concerning allocation of these funds. As the bill is currently written, only programs which are licensed and certified by the Commissioner of SRS Alcohol and Drug Abuse Services will be eligible for funding. At present, only one of the eight programs funded by the local alcohol tax in Johnson County is a licensed and certified alcohol and drug program. This is not because the other seven programs do not effectively provide alcohol and drug services. It is because, at present, licensing and certification procedures apply to treatment programs only. There is no mechanism in place for licensing educational programs, hotlines, information and referral services, planning services and other programs which may include substance abuse issues in a broader range of services. It seems premature to pass a law which limits funding to licensed and certified programs only, when the licensing mechanism has not yet been developed.

An additional concern is that passage of the bill will place a considerable amount of control of the funds in the hands of SRS in that they will determine who is and is not eligible for funding. This concern can be best clarified by the following illustration. In 1982, Family & Children Services, a general counseling agency, received a \$3,800 grant through the Drug & Alcoholism Council's review process. The funds were earmarked to purchase training for an existing counselor on substance abuse treatment. The training was received and the trained counselor has shared information with other staff at the agency. Family & Children Services is now providing substance abuse services as a result of a small grant. This year a residential treatment program for disturbed youth, Live & Learn, has received a small training grant for the same purpose. It is likely that under the new law, these programs would not be eligible for funding.

House Federal & State Affairs Committee
House Assessment & Taxation Committee
Page 3

Once again we urge you to consider the impact SB 429 will have on local decision making. The Drug & Alcoholism Council has encouraged a commitment on the part of the city and county elected officials to ensure the availability of needed services. The licensing and certification requirements may prohibit funding for local programs which have proven to be successful.