

MINUTES OF THE HOUSE JUDICIARY COMMITTEE

The meeting was called to order by Chairperson Michael O'Neal at 3:30 p.m. On January 24, 2001 in Room 313-S of the Capitol.

All members were present except:

Representative Kathe Lloyd - Excused

Committee staff present:

Jerry Ann Donaldson, Legislative Research Department
Jennifer Strait, Intern for Legislative Research Department
Jill Wolters, Revisor of Statutes Office
Cindy O'Neal, Committee Secretary

Conferees appearing before the committee:

Secretary Janet Schalansky, Department of Social & Rehabilitation Services
Representative Clark Shultz
Representative Ward Loyd
Marlee Carpenter, Kansas Chamber of Commerce & Industry
Mike Davis, Store Manager, JC Penny's Oak Park Mall
Frances Kastner, Kansas Food Dealers Association
Frank Muscato, Loss Prevention Coordinator for Wal-Mart

Secretary Janet Schalansky, Department of Social & Rehabilitation Services, appeared before the committee to request a bill that would make it a crime for staff at any of the state hospitals or training centers to engage in sexual relations with a patient or resident. (Attachment 1) Representative Long made the motion to have the request introduced as a committee bill. Representative Williams seconded the motion. The motion carried.

Representative Clark Shultz requested a bill which would allow residents of retirement communities to be members of boards that govern such communities. Representative Shriver made the motion to have the bill request introduced as a committee bill. Representative Crow seconded the motion. The motion carried.

Representative Ward Loyd requested a bill requiring the Judicial Budget be sent directly to the Legislature. Representative Ruff made the motion to have the request introduced as a committee bill. Representative Pauls seconded the motion. The motion carried.

Hearings on **HB 2078 - if a minor shoplifts, the parents are liable for a civil penalty up to \$500**, were opened.

Marlee Carpenter, Kansas Chamber of Commerce & Industry appeared before the committee in support of the proposed bill. She introduced Mike Davis, Store Manager, J.C. Penny's Oak Park Mall.

Mr. Davis commented that juvenile shoplifting is costing millions of dollars to the retailers of Kansas. Forty-nine states have statutes authorizing the victims of shoplifters to recover civil damages but twelve of those states do not allow civil recovery from juveniles. Kansas is one of those twelve. The proposed bill is about personal responsibility by forcing teenagers to realize that their parents will be held responsible for their actions. Shoplifting to juveniles is considered a status symbol and is considered no big deal. (Attachment 2)

Frances Kastner, Kansas Food Dealers Association, appeared in support of **HB's 2078, 2079 & 2080**. The proposed bills give retailers several different tools to recover their expenses. (Attachment 3)

Hearing on **HB 2078** were closed.

Hearings on **HB 2079 - theft of property from three business as part of the same criminal transaction is a severity level 9, nonperson felony**, were opened.

Frank Muscato, Loss Prevention Coordinator for Wal-Mart, commented that the proposed bill is directed towards boosters who steal to make a living as opposed to shoplifters who steal for themselves. The bill would

change existing law so that if an individual is apprehended with goods stolen from three separate mercantile establishments in a continuing criminal episode then they could be charged with a felony, regardless of the value of the merchandise. (Attachment 4)

Hearing on **HB 2079** were closed.

Hearings on **HB 2080 - unlawful use and possession of a sale receipt or universal product code label**, were opened.

Frank Muscato, Loss Prevention Coordinator for Wal-Mart, informed the committee that all states have statutes that recognize changing price tags as a crime but they do not recognize Universal Produce Codes as price tags. The legislation would allow for criminal penalties to be charged. (Attachment 5)

The Chairman stated that he believed that charges could be brought under the theft by deception statute and didn't want to start defining specific crimes & penalties.

Hearings on **HB 2080** were closed.

The committee meeting adjourned at 5:00. The next meeting was scheduled for January 25, 2001.



KANSAS DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

915 SW HARRISON STREET, TOPEKA, KANSAS 66612

JANET SCHALANSKY, SECRETARY

January 23, 2001

To: House Judiciary Committee

From: Janet Schalansky, Secretary

RE: Bill Introduction

Mister Chairman and members of the Committee, my name is Janet Schalansky, Secretary of the Kansas Department of Social and Rehabilitation Services (SRS). I am here today to request a bill be introduced into your committee. The bill would make it a crime for staff at any of our state hospitals or training centers to engage in sexual relations with a patient or resident. This proposal mirrors existing provisions for Kansas Department of Corrections and Juvenile Justice Authority staff.

Thank you for your time this morning. I will be glad to answer any questions you may have.

PROPOSED BILL NO. _____

By

AN ACT concerning crimes and punishment; relating to unlawful sexual relations; amending K.S.A. 2000 Supp. 21-3520 and repealing the existing section.

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

Section 1. K.S.A. 2000 Supp. 21-3520 is hereby amended to read as follows: 21-3520. (a) Unlawful sexual relations is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy with a person who is not married to the offender if:

(1) The offender is an employee of the department of corrections or the employee of a contractor who is under contract to provide services in a correctional institution and the person with whom the offender is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy is an inmate; or

(2) the offender is a parole officer and the person with whom the offender is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy is an inmate who has been released on parole or conditional release or postrelease supervision under the direct supervision and control of the offender; or

(3) the offender is a law enforcement officer, an employee of a jail, or the employee of a contractor who is under contract to provide services in a jail and the person with whom the offender is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy is a person 16 years of age or older who is confined by lawful custody to such jail; or

(4) the offender is a law enforcement officer, an employee of a juvenile detention facility or sanctions house, or the employee of a contractor who is under contract to provide services in such facility or sanctions house and the person with whom the offender is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy is a person 16 years of age or older who is confined by lawful custody to such facility or

sanctions house; or

(5) the offender is an employee of the juvenile justice authority or the employee of a contractor who is under contract to provide services in a juvenile correctional facility and the person with whom the offender is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy is a person 16 years of age or older who is confined by lawful custody to such facility; or

(6) the offender is an employee of the juvenile justice authority or the employee of a contractor who is under contract to provide direct supervision and offender control services to the juvenile justice authority and the person with whom the offender is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy is 16 years of age or older and (A) released on conditional release from a juvenile correctional facility under the direct supervision and control of the offender or (B) placed in the custody of the juvenile justice authority under the direct supervision and control of the offender; or

(7) the offender is an employee of the department of social and rehabilitation services or the employee of a contractor who is under contract to provide services in a social and rehabilitation services institution and the person with whom the offender is engaging in consensual sexual intercourse, lewd fondling or touching, or sodomy is a patient in such institution.

(b) For purposes of this act:

(1) "Correctional institution" means the same as prescribed by K.S.A. 75-5202, and amendments thereto;

(2) "inmate" means the same as prescribed by K.S.A. 75-5202, and amendments thereto;

(3) "parole officer" means the same as prescribed by K.S.A. 75-5202, and amendments thereto;

(4) "postrelease supervision" means the same as prescribed in the Kansas sentencing guidelines act in K.S.A. 21-4703;

(5) "juvenile detention facility" means the same as prescribed by K.S.A. 38-1602, and amendments thereto;

(6) "juvenile correctional facility" means the same as prescribed by K.S.A. 38-1602, and amendments thereto;

(7) "sanctions house" means the same as prescribed by K.S.A. 38-1602, and amendments thereto;

(8) "institution" means the same as prescribed by K.S.A. 76-12a01, and amendments thereto.

(c) Unlawful sexual relations is a severity level 10 person felony.

Sec. 2. K.S.A. 2000 Supp. 21-3520 is hereby repealed.

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



KANSAS RETAIL COUNCIL

A DIVISION OF THE *Kansas Chamber of Commerce and Industry*

Testimony for H.B. 2078

Mr. Chairman and members of the Committee, my name is Mike Davis. I am here today on behalf of the Kansas Retail Council, and the JCPenney Company and its 4,400 associates in the state of Kansas. JCPenney has 25 stores in Kansas, as well as district offices; one of the Company's five catalog fulfillment centers is located in Lenexa. JCPenney pays \$3,041,000 in taxes to the state of Kansas.

What I'd like to talk to you about today is a problem that is also worth millions of dollars to Kansas retailers, and that is juvenile shoplifting. Forty-nine states plus the District of Columbia now have statutes authorizing the victims of shoplifters to recover civil damages from them.¹ The laws of all but 12 of those states include provisions allowing for recovery from the parents of unemancipated minor shoplifters. Unfortunately, Kansas is one of those twelve. We ask that H.B. 2078 fix this problem.

First, let me give you some facts about our Kansas JCPenney Geographic Stores Apprehension of Juvenile Shoplifting, along with national figures.

<u>Ages</u>	<u>Kansas JCPenney Apprehensions</u>	<u>%</u>	<u>US National %</u>
1-13	15	9.4%	U/A
14-17	<u>144</u>	<u>90.6%</u>	U/A
Total	159	46.8%	38%

¹ Only Delaware has no civil recovery law.

Adults	181	53.2%	62%
Total	340	100%	100%

Please note the times and months of apprehension for Kansas JCPenney Stores:

<u>Rank</u>	<u>Time</u>		<u>Month</u>
#1	4-5 p.m.	(school is out)	#1 November
#2	6-7 p.m.		#2 October
#3	3-4 p.m.	(school is out)	#3 December

We in the business sector desperately need your help! Here is how shoplifting affected some of our geographic stores in Kansas. Metro stores are not listed.

<u>Location</u>	<u>Dollars</u>	<u>Percent of Sales</u>
Garden City	\$ 278,971	3.9%
Manhattan	242,193	2.9%
Hutchinson	171,401	2.4%
Lawrence	168,102	1.7%
Hays	158,401	2.9%
Salina	140,258	1.9%
Great Bend	135,939	2.5%
Pittsburgh	96,068	1.7%
Emporia	72,016	1.8%
Dodge City	61,094	1.3%
Leavenworth	60,870	1.5%
Total Kansas Geographic District	\$1,584,313	2.2%

Our total district shrinkage was \$2,618,849 or 2.14%. The five metro stores in Kansas total \$1,403,902 or 1.2%. This costs the company sales and it costs our employees in benefits and salary increases. If we do not sell our goods, we do not make money, and we cannot offer what we would like to offer our employees in terms of salaries and benefits. Shoplifting affects the Manager's salary directly. We even have Managers who have been demoted due to inability to account for inventory when audits show shoplifting is the major cause.

Imagine the benefits to the state if profits from this \$2,988,215 could be put back into the local and state economies through salaries, benefits, taxes, remodels, etc. We are one company. What about Wal-Mart, Dillards, May Company, Anthonys and many more? What would these dollars do for the state economy? Juvenile shoplifting, as all shoplifting, is a cost of doing business that is passed on to the consumer. Unfortunately, this figure is greater than the cost of heat and lights.

Fact: Approximately one-quarter of all shoplifting is done by juveniles.²

Fact: Juvenile shoplifting is a major part of our losses.

Fact: Juveniles do the following:

- Shoplift due to "GANG" initiation. Older gang members have the juveniles do it because they suffer little, if any, punishment. Therefore, the older gang members stay out of trouble. This is a good fund-raiser for the gang.
- Shoplift what they want but cannot pay for due to lack of money.
- Allow peer pressure to influence them. Can they get away with it?

Shoplifting is "NO BIG DEAL" in today's society. Shoplifting is a joke to kids.

They laugh at police. They laugh at sales associates. They know nothing is going to happen to them. Juveniles steal in various ways:

- Clothes or items are hidden on their person.
- Magnets are carried in pockets to disconnect ink tags and J tags.
- Some juveniles have access to a sensor tag remover.
- Groups of juveniles enter businesses and cause a disturbance so one or more can shoplift -- attention of associates is diverted to the disturbance. This can be gang related.

² Report from Shoplifters Alternative, dated 1997

- "Gangs" have had weapons on their person. Some Loss Prevention Officers are wearing bulletproof vests in some states and not far from Kansas. (Pueblo, CO., 259 miles from Dodge City.)
- Torn clothing due to sensor tags or ink-stained clothing from ink tags is a status symbol. It shouts, "I stole this garment".

We spend thousands on security devices, cameras, meetings, and loss prevention hours, and still cannot catch everyone. Several store managers have told me they could not afford to remodel their stores due to shoplifting losses. This is not only a loss to the store, but also a loss to the consumer. The consumer loses the store ambiance of new paint, new carpet, new fixtures, wider aisles, and new visual presentation displays. Instead, the criminal element wins again.

We need to ask ourselves, when is enough, enough? We believe it is now! Now is the time to fix the problem with H.B. 2078. We believe, based on parents' response to calls when juveniles are caught, that some parents just do not care what their kids have done. Others are in denial. They say, "You are wrong, my kid would not shoplift." H.B. 2078 will make them believers. They will look at problem juveniles differently. Parents need to be accountable for their children. We need to get teenagers' attention. HB 2078 does both. Teenagers will realize that their parents are accountable and responsible. They know their parents will have to pay for their crime of shoplifting. This problem is as much about personal responsibility as it is dollars. It's a moral issue as well as a financial one.

Shoplifting is a crime. It is stealing! Once juveniles are successful stealing their first package of gum at the 7-11 store, bigger items will follow. There are some parents who try hard to raise their children right, but because of outside peer pressure and influences, the kids steal their first item and then bigger ones. Again,

H.B. 2078 gives parents another tool. We think it is time that we help our children. The penalty provision of HB 2078 may change juveniles' habits before they become more serious. Most teens are good kids. Knowing that his or her parents will have to pay for one lapse of judgment might make a good kid think twice about shoplifting. Make this happen -- vote "YES" to H.B. 2078!

I represent employers and employees just as you represent your constituents. We as managers must react to the needs and wants of our employees. Why should their salaries and benefits be affected by juvenile shoplifting? In 1993, our company match was \$.93 for every dollar saved in our associates' savings and profit sharing plans due to lower shoplifting losses. In 1996, due to increased shoplifting, the company match was only \$.76 for every dollar saved. How would you feel if this were your benefit?

I have discussed with you the JCPenney Company Geographic District and Metro stores. We must think about what juvenile shoplifting costs all retailers, whether national chains, regional businesses or local businesses in the state of Kansas.

Let's make it happen by working together to pass H.B. 2078. We need this bill. Remember, currently, Kansas is one of twelve states without this law. New Jersey and California addressed this topic back in the 1970's. We are asking Kansas to react now.

Thank you so much for your time. I will be glad to answer any questions.

SHOPLIFTING

- Total retail losses are \$25.23 Billion annually (based on University of Florida survey)
- Shoplifting is conservatively estimated to account for 35% - 40% of total retail shrink/losses. (Both University of Florida and Hayes International surveys)
- Average shoplifting case is approximately \$30.00 (Based upon data taken from various surveys)

Therefore, Hayes International estimates the following number of theft incidents and dollars lost to shoplifters:

Time Frame	Dollars	Incidents
Annually	\$9.0 - \$10 Billion (\$8.8305 - \$10.092 Billion)	290 - 340 Million (294.35 - 336.4 million)
Daily (365 days)	\$24 - \$28 Million (\$24,193,151 - \$27,649,315)	800,000 - 920,000 (806,438 - 921,644)
Hours (24)	\$1.0 - \$1.1 Million (\$1,008,048 - \$1,152,055)	33,600 - 38,400 (33,602 - 38,402)
Minutes (60)	\$16,800 - \$19,200 (\$16,801 - \$19,201)	560 - 640 (560.02 - 640.03)

SHOPLIFTING APPREHENSIONS SURVEY

Hayes International's Twelfth Annual Retail Theft Survey reports on over 756,000 apprehensions taking place in just 32 major retail companies representing 12,254 stores with combined 1999 annual sales in excess of \$310 billion. Some shoplifter-related highlights from this survey are:

- Survey participants apprehended 674,784 shoplifters in 1999 (0.77% decrease), almost equivalent to their 1998 figure of 680,019.
- Dollars recovered from shoplifting apprehensions totaled \$66,507,405 in 1999, a 3.54% increase over 1998 recoveries (\$64,233,564).
- Dollars recovered from shoplifters where no apprehension was made, increased an astounding 23.45% in 1999. (1999: \$29,021,174, 1998:

Jack Hayes International - loss prevention - loss control - shoplifting - shrinkage control - t.. Page 2 of 2

\$23,507,528).

- On a per-case basis, dollars recovered from shoplifter apprehensions in 1999 averaged \$98.56, an increase of 4.34% over 1998's case average of \$94.46.
- Prevention productivity improved as 33.86 hours were spent per shoplifter apprehension in 1999 as compared with 36.25 hours in 1998.

	1998	1999	#\$	Pct.
Apprehensions	680,019	674,784	(5,235)	-0.77%
Recoveries	\$64,233,564	\$66,507,405	\$2,273,841	3.54%
Avg. Case Value	\$94.46	\$98.56	\$4.10	4.34%
Hours Per Apprehension	36.25	33.86		-6.59%
Recoveries (No Apprehension)	\$23,507,528	\$29,021,174	\$5,513,646	23.45%

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**SHRINKAGE/SHOPLIFTING
JCPENNEY
OAK PARK MALL
OVERLAND PARK KS**

Shrinkage determined by June 2000 inventory, \$739,637
\$61,636 monthly
14,223 weekly

Shoplifter apprehensions eleven months ending December 31, 277
Adults 137 recovery of \$24,659
Juveniles 140 recovery of \$14,071

Costs associated with loss prevention and apprehension.

Camera system: + \$150,000
32 cameras
35 monitors
2 controllers
2 VCR

Loss Prevention staff

base crew 190 hr. / week average 225 hr. per week annually
Approximate annual cost of salaries alone \$122,265

KANSAS METRO STORES
includes Oak Park

SHRINKAGE	L/P HRS	L/P \$	SHOPLIFTERS	JUVENILES
\$1,708,351	35,840	\$383,900	592	331



EXECUTIVE DIRECTOR
JIM SHEEHAN
Shawnee Mission

HOUSE JUDICIARY COMMITTEE January 24, 2001

OFFICERS

SUPPORTING HB 2078, 2079, 2080

PRESIDENT
ARNIE GRAHAM
Emporia

ASST. TREASURER
JOHN CUNNINGHAM
Shawnee Mission

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Overbrook

J. R. WAYMIRE
Leavenworth

BILL WEST
Abilene

**DIRECTOR OF
GOVERNMENTAL AFFAIRS**

FRANCES KASTNER

I am Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Association. Our membership includes retailers, distributors and manufacturers of food products throughout Kansas.

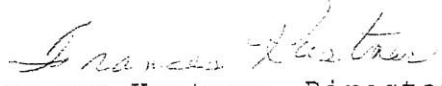
Grocers always try to give their customers the most value for the dollars spent in their stores. Unfortunately some shoppers prefer to not pay for their goods as you and I do -- causing a good deal of difficulty for retailers everywhere.

As technology develops to prevent illegal activity in our stores, the criminal element also becomes more sophisticated in their illegal acts. Shoplifting is a major expense. Even with sufficient proof the criminal often receives little more than a slap on the wrist. We believe HB 2078 and HB 2079 is a step in the right direction and urge your support.

Under HB 2080 you are giving the retailer another tool to try to eliminate some of the expenses incurred when fraudulent retail sales receipts or universal product codes are used in an attempt to further cheat a retailer. We ask your support of this bill also.

We support any bill protecting merchants from illegal acts that ultimately add to their cost of doing business and results in higher prices paid by the honest customer of that establishment.

We respectfully request you recommend these three bills for passage.


Frances Kastner, Director
Governmental Affairs KFDDA

House Judiciary
1-24-01
Attachment 3



KANSAS RETAIL COUNCIL

A DIVISION OF THE Kansas Chamber of Commerce and Industry

835 SW Topeka Blvr
Topeka, KS 66612-167
(785) 357-6321
Fax: (785) 357-4732

Theft From Three Establishments Legislation

**Testimony
Frank Muscato**

Honorable Chair and Members of the Committee:

My name is Frank Muscato and I currently work in special investigations regarding retail theft and the sale of stolen merchandise. I work closely with several retail organizations, as well as federal, state, and local law enforcement officials across the country. My purpose here today is to give you some background on this issue and to express my concern with retail theft and its effects on consumers and retailers.

The proposed Theft From Three Separate Mercantile Establishments legislation deals with organized crime as it is related to the retail industry. Traveling boosters are becoming more sophisticated and aware of the types of crimes that can be committed to remain at a misdemeanor level.

There has been an increase in retail theft offenses committed in mercantile establishments. A large number of the individuals are involved in the use of illegal drugs and retail theft provides a low risk and high reward method to support their drug habits. An increasing number of the individuals involved in retail theft offenses are very sophisticated and are "professionals" who travel city-to-city and

state-to-state committing these crimes. These subjects are cognizant of the existing dollar value in the statutes required to commit a felony retail theft offense and have attempted to evade felony charges by committing these thefts from several establishments and taking less than the minimum felony amount from each.

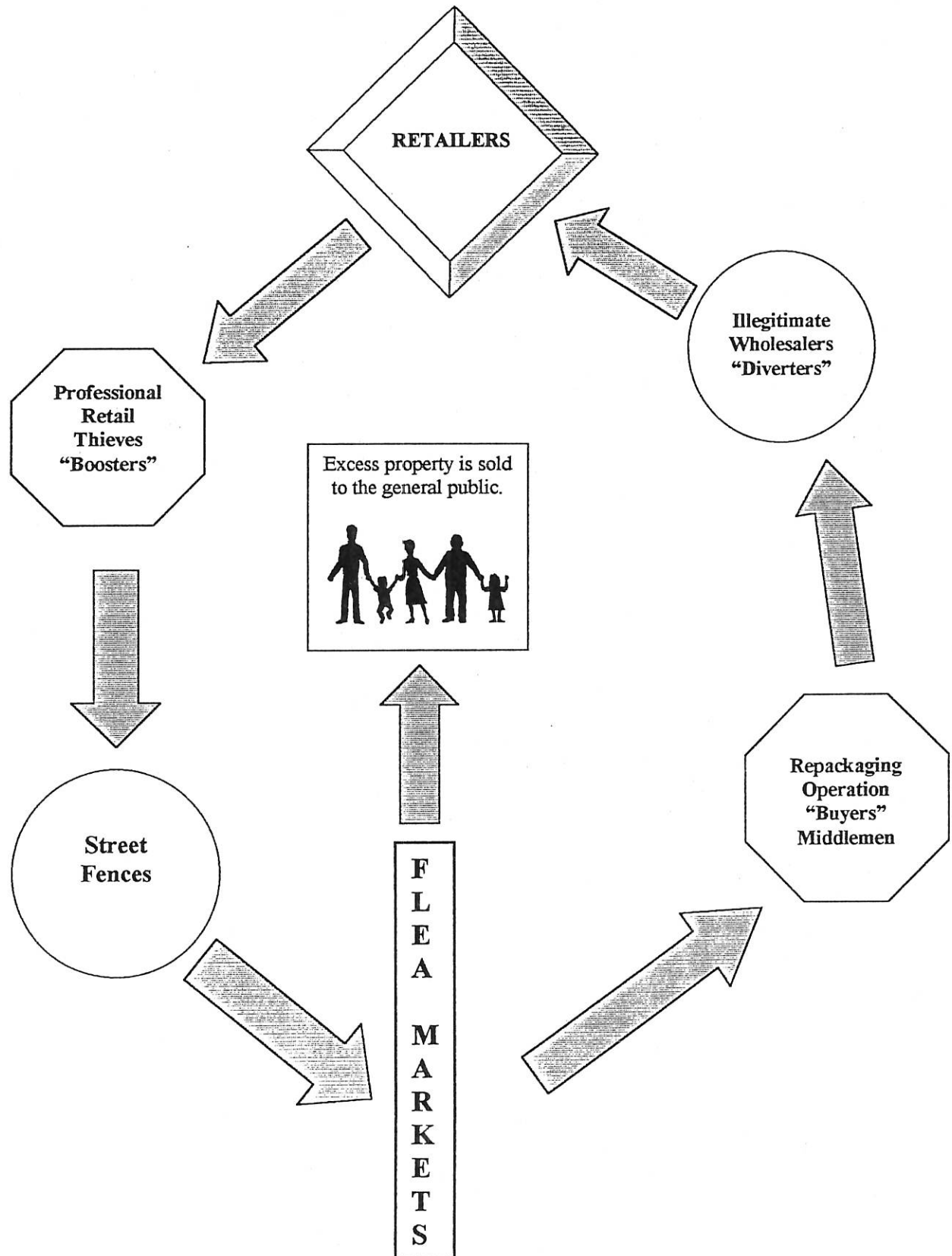
This bill would change the existing law so that if an individual is apprehended with goods stolen from three separate mercantile establishments in a continuing criminal episode, then they may be charged with felony theft, regardless of the value of the merchandise.

This law would still allow a prosecutor to use his discretion in prosecuting a case of theft where an individual was taking a small item from several mercantile establishments, such as packages of bubble gum, a candy bar, etc.

The FBI Interstate Theft Task Force estimated that in 1997, external retail theft accounted for approximately \$26 Billion. The losses from these thefts are not absorbed by the retailer, but are passed on to the consumer through higher prices. Two to four cents of each dollar spent by a consumer at a retail establishment goes to cover theft.

Thank you for your time. I will be happy to answer any questions you may have.

THE PATH OF STOLEN GOODS FROM RETAIL CHAINS





KANSAS RETAIL COUNCIL

A DIVISION OF THE *Kansas Chamber of Commerce and Industry*

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Topeka, KS 66612-167
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Bogus Receipts Legislation

Testimony

By *Frank Muscato*

Honorable Chair and Members of the Committee:

My name is *Frank Muscato* and I currently work in special investigations regarding retail theft and the sale of stolen merchandise. I work closely with several retail organizations, as well federal, state, and local law enforcement officials all across the country. My purpose here today is to give you some background on this issue and to express my concern with fraudulent receipts and UPC codes and the effect it has on the retail industry and consumers.

Retail theft has become highly sophisticated and very profitable. The FBI estimates there was over \$26 Billion lost to retail theft in 1997. This excludes internal theft and vendor errors. We estimate it costs consumers 2 cents on every dollar to cover retail theft. The FBI estimates 4 cents on every dollar to cover retail theft. Losses are passed on to the consumer because if retail absorbed those losses, they would be out of business.

One of the major concerns with department type retail stores is the production and use of bogus fraudulent receipts and UPC codes. Retailers have spent millions of dollars coding

retail-receipt paper and transaction numbers. With the new computer age, it is becoming easier and easier for professional retail boosters to duplicate these receipts and UPC codes. An important part of the bill are the words "with the intent to cheat or defraud".

Methods Used to Commit These Crimes:

Example: A retail booster will enter a retail establishment with a bogus UPC label that will scan as a sewing kit at \$12. They will place the bogus UPC label over the top of the valid UPC label on a \$300 serger sewing machine. They will mark that item and leave the store. A second person will come into the store and pick up that item. They will then select a few other inexpensive items and go to the register to checkout. The cashier will scan these items. The total the booster pays will be approximately \$15-\$30, when in fact they have purchased over \$300 in merchandise. They will then proceed to the next retail establishment. After removing the counterfeit UCP label from the serger sewing machine, they will present a bogus receipt and receive a refund for the full cost of the merchandise. They have spent \$15-30 and have effectively stolen \$300 using bogus UPC labels and fraudulent receipts.

Another example of this type crime is retail boosters will enter a retail store and steal small, high ticket items, such as computer components that sell for \$60-\$70. They will steal several of these at one time, using each other to cover during the theft. They will then go to another retail store that carries the same items, and using bogus receipts, which

they have manufactured or had manufactured for them, refund these items. This type theft has no investment and a very high return.

Recent Cases:

In January of 1999 one of the larger groups which does bogus receipt returns and UPC switches was shut down in Des Moines, Iowa. This group traveled the entire United States committing these crimes. When warrants were executed on their residences last month, the FBI and Des Moines Police recovered rolls of Wal-Mart receipt paper, bogus UPC's and bogus receipts. They also recovered a significant amount of methamphetamine. This group would do short runs where they would hit stores through Iowa, Nebraska, Kansas, Missouri, Illinois and back to Des Moines, Iowa. This was called a short run.

Conclusion:

Retailers are experiencing some of the highest losses in the last few years because of UPC switches and bogus receipt returns. With the passage of this bill, retailers and law enforcement will have a tool to reduce these huge losses. Consumers will benefit from this bill. Keep in mind that over 2 cents of each dollar a consumer spends is to cover losses from theft. As more and more states around us pass deceptive practices legislation, this state could become a dumping ground for bogus UPC labels and fraudulent receipt returns. I would hate to see that happen. There is a federal law called "Violation of

Federal Access Code” that is enforced by Secret Service. Under this law, a person who has possession of 15 or more bogus UPC labels or possesses a device that manufactures UPC labels, would be in violation of a felony under the federal system.

THIS IS AN EXCERPT FROM THE INTERSTATE FENCING STRATEGIC INITIATIVE CONFERENCE, FEBRUARY 1997.

“The retail industry representatives indicated that U.S. grocery chains work approximately ten months out of the year to support their losses due to theft. The last two months of annual sales go toward corporate profit. The drug and discount industry works six months out of the year to support their losses from theft.

To further illustrate this, according to the FBI account, in the past five years, 50% of the retail businesses in the U.S. have gone out of business. The main cause of these store closings is “shrinkage” (theft and fraud). The retail industry representatives estimated that in the next five years, another 50% of the remaining U.S.-owned retail chains would go out of business because of theft. The retail industry provides millions of jobs to Americans and provides a significant portion of U.S. tax revenue. With the loss of these companies, the effect on the American economy is disastrous. The overall retail industry in the U.S. accounted for \$2.2 trillion in sales in 1995. Of that amount, the retail drug stores, food/drug grocery stores, and large discount chains represented \$787 billion in sales, or approximately 64% of the overall retail industry. **Retail representatives conservatively estimate that grocery, drug and discount chains suffered**

approximately 4% in losses due to theft in 1996. Based upon those figures, these retail businesses experienced \$31.5 billion in losses due to theft in 1995.”

Thank you for your time. I will be happy to answer any questions you may have.