

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE.

The meeting was called to order by Chairperson Senator Nancey Harrington at 10:30 a.m. on January 29, 2002 in Room 245-N of the Capitol.

All members were present.

Committee staff present: Russell Mills, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Theresa Kiernan, Office of the Revisor
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:
Bob Longino, Executive Director Alcoholic Beverage Control
Trista Beadles, Assistant Legal Counsel, Governor's Office

Others attending: Please see attached

Chairperson Harrington opened the meeting. Russell Mills, Legislative Research Department presented an updated document entitled, "Kansas Lottery". ([Attachment 1](#)) He then presented an updated chart entitled, "Kansas Lottery and Wagering Tax Revenue Transfers". ([Attachment 2](#))

Bob Longino, Executive Director of Alcoholic Beverage Control, presented testimony to update the committee on the Division of Alcoholic Beverage Control. ([Attachment 3](#)) He then presented a pamphlet entitled, "Kansas Alcoholic Beverage Control Division: Agency Overview" ([Attachment 4](#)) and "Kansas Alcoholic Beverage Control: Underage Drinking". ([Attachment 5](#)) He concluded by presenting the "Kansas Department of Revenue Alcoholic Beverage Control Industry Bulletin: January 2002 Volume 2, Issue 2". ([Attachment 6](#))

In response to a question from Senator Barnett, Mr. Longino stated that he did not have statistics on the number of licenses lost due to serving alcohol to minors.

Senator Gooch asked Mr. Longino if he had any information on how prevention money from the state is allocated. Mr. Longino responded that seventy percent of the liquor drink tax goes back to the community. He stated that it is then divided into thirds which go to the city general fund, parks and recreations, and alcohol treatment programs equally. He stated that the funds are distributed each quarter and that Alcoholic Beverage Control does not keep track of that data.

Chairperson Harrington stated that she would request copies of the Legislative Post Audit report from Russell Mills, Legislative Research Department, to give the committee more details on fund distribution.

Mr. Longino then asked the committee to introduce four bills. He stated that the first bill was a clean up amendment, the second bill concerned reviewing regulations and statutes to make them comply with more recent regulations concerning the requirement for liquor carrier permits, the third bill concerned a joint proposal with taxes within KDOR, and the fourth bill concerned license renewals and the payment of sales taxes.

Senator Vratil made a motion to introduce all four bills. Senator O'Connor seconded the motion. The motion passed.

Trista Beadles, Assistant Legal Counsel, Governor's Office, presented a memorandum concerning **SB 406—Concerning executive director of Kansas racing and gaming commission.** ([Attachment 7](#))

In response to a question from Senator Gooch, Ms. Beadles stated that the position of executive director of the racing and gaming commission would still be a full-time position. In response to a question from Senator

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at on January 29, 2002 in Room 245-N of the Capitol.

O'Connor, Ms. Beadles stated that the clarified bill allows a deputy director of both the gaming agency and the racing and gaming commission.

In response to a question from Senator Vratil, Tracey Diel, Executive Director of racing and gaming commission, stated that he did not think there was any difference between the wording "actual resident" and the meaning "resident". Senator Vratil stated that he felt the wording ought to be changed to "domicile" to more accurately reflect the Legislature's meaning.

The meeting was adjourned at 11:13 a.m. The next meeting will be at 10:30 a.m. on January 30, 2002.

January 25, 2002

KANSAS LOTTERY

Summary

Kansas statutes provide for collection and allocation of revenue from three types of gambling: bingo, parimutuel wagering on dog and horse races, and the Kansas Lottery. In addition, the state is reimbursed for certain expenditures made under provisions of the tribal/state gaming compacts which regulate Indian casino gaming. Slightly over 30 percent of state revenue from gambling is used to operate the state agencies charged with licensing, regulating, and conducting (in the case of the lottery) legal gambling in Kansas.

Lottery History. In 1986, a constitutional amendment to provide for a state-owned lottery was approved by the voters of Kansas by a vote of 515,893 to 291,411. The 1987 Kansas Legislature approved implementing legislation which created a new state agency, the Kansas Lottery, to operate the state lottery. The legislation also established a five-member Lottery Commission to oversee the operation of the lottery; required that at least 45 percent of the money collected from ticket sales be awarded as prizes and at least 30 percent of the money collected be transferred to the State Gaming Revenue Fund (SGRF); exempted lottery tickets from the sales tax; and allowed liquor stores to sell lottery tickets.

The constitutional amendment also contained a sunset provision which would have prohibited operation of the state lottery in 1990 unless a concurrent resolution authorizing such operation was adopted by both chambers of the Kansas Legislature during the 1990 Session. 1990 SCR 1646 was adopted by the Legislature to continue operation of the state lottery.

The state lottery was scheduled for abolition under the Kansas Sunset Law in 1992. The Legislature approved 1992 SB 472 which continued the Kansas Lottery until 1996. In turn, the 1995 Legislature approved HB 2077 which continued the Kansas Lottery in existence until 2002. In order to give the Lottery a one-year "wind down" period if it is not extended, the 2001 Legislature addressed the issue of continuing the Kansas Lottery in existence beyond July 1, 2002.

The 2001 Legislature enacted HB 2038 which extends the Kansas Lottery until July 1, 2008. The bill also requires that a security audit of the Kansas Lottery be conducted at least once every three years and places responsibility for these security audits under the Legislative Post Audit Act.

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Attach #1
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New language provides that the Executive Director shall not agree to any renewal or extension of a major procurement contract unless such extension or renewal is awarded in the manner provided by the Lottery Act.

The bill also places several limitations and restrictions on the operation of the Kansas Lottery:

- The Kansas Lottery cannot conduct games on lottery machines as defined in the bill;
- The amount of time between Keno games must be not less than four minutes;
- No retail sales of lottery tickets by electronic mail, telephone, or the Internet are permitted;
- The lottery may not engage in the unsolicited advertisement or promotion of any lottery by electronic mail or telephone; and
- All advertising and marketing practices of the Kansas Lottery will have to meet or exceed the standards of the North American Association of State and Provincial Lotteries.

Kansas Lottery

Lottery Revenue. Receipts from the sale of lottery tickets are deposited by the Executive Director of the Kansas Lottery in the Lottery Operating Fund in the state treasury. Statutorily, moneys in that fund are used to support operation of the Lottery; pay prizes to lottery winners (*via* a transfer to the Lottery Prize Payment Fund); and provide funding for correctional and juvenile facilities, and economic development *via* the SGRF.

A minimum of 45 percent of net monthly receipts from the sale of lottery tickets must be awarded as prizes. The Lottery Act requires that a minimum of 30 percent of net monthly receipts from the sale of lottery tickets must be credited to the SGRF. However, the Legislature has frequently transferred additional amounts to the SGRF. For FY 1997 and FY 1999, the Legislature set the transfer at a minimum of 30.75 percent. For FY 1998 the transfer was set at a minimum of 31.25 percent. For FY 2000 and FY 2001, the transfer was set at 30.00 percent. The remainder of sales receipts may be used to operate the Lottery and to pay commissions to merchants who sell lottery tickets.

Lottery revenue has been used for other purposes over the years. During the first year of Lottery operation, FY 1988, a statutorily required transfer was made from the Lottery Operating Fund to repay to the State General Fund the amount utilized to establish the Lottery. (K.S.A. 74-8712) In FY 1989, a transfer was made from the Lottery Operating Fund directly to the County Reappraisal Fund. That amount was in addition to the statutorily set amount of the SGRF used to cover a portion of the cost of statewide reappraisal. Every year from FY 1993 through FY 1997, transfers were made from the Lottery Operating Fund

to the Kansas Bureau of Investigation (KBI) to finance the KBI's gaming investigation unit. (These transfers ended in FY 1997.) In FY 1998, the Legislature authorized the transfer of \$253,195 from the KBI to the SGRF to repay FY 1996 lottery and racing moneys.

The 2001 Legislature approved a total FY 2002 budget for the Kansas Lottery of just over \$140.0 million, of which \$23.1 million is for operating the lottery and \$117.2 million is for prizes and retailers' commissions. The approved staffing level for FY 2002 is 91.0 positions.

State Gaming Revenue Fund. Some state revenue from both the Lottery and parimutuel wagering is transferred to the SGRF. That fund is used essentially as a holding fund from which further transfers are made on a monthly basis. No more than \$50 million can be credited to the SGRF in any fiscal year. Amounts in excess of \$50 million are credited to the State General Fund. FY 1994 was the first year during which transfers to the SGRF exceeded \$50 million. Since then, the \$50 million cap on the SGRF has resulted in \$68.6 million being transferred to the State General Fund.

Beginning on July 1, 1995, statutory transfers from the SGRF were established as follows¹:

- 85 percent to the Economic Development Initiatives Fund;
- 10 percent to the Correctional Institutions Building Fund; and
- 5 percent to the Juvenile Detention Facilities Fund.

Economic Development Initiatives Fund. Under the state law from FY 1996 through FY 2000, the first \$50.0 million credited to the SGRF each year was divided as follows:

- \$5.0 million to the Correctional Institutions Building Fund to help offset State General Fund (SGF) expenditures in constructing and maintaining state prisons;

¹ Distribution of moneys credited to the State Gaming Revenue Fund has changed since the fund's inception. Prior to June 30, 1990, 30 percent of the State Gaming Revenue Fund was used to defray a portion of costs incurred by counties during statewide reappraisal, for a total of \$15.9 million. (In addition, for each of fiscal years 1991-1995, the Legislature appropriated approximately \$3 million, \$14.9 million total, to the Department of Revenue from the Economic Development Initiatives Fund for county reappraisal aid.) At that time, 60 percent of the fund was used to finance economic development projects and 10 percent financed correctional facilities.

From FY 1991 until the end of FY 1995, 90 percent of Gaming Fund revenue was earmarked for the Economic Development Fund and 10 percent for the Correctional Institutions Building Fund (to finance adult correctional facilities). (K.S.A. 79-4804)

- \$2.5 million to the Juvenile Detention Facilities Fund to help local governments pay the cost of confining local juvenile offenders; and
- \$42.5 million to the Economic Development Initiatives Fund (EDIF).

The 2000 Legislature approved legislation (Sub. for HB 2013) which mandated an annual transfer, beginning in FY 2001, of \$80,000 from the State Gaming Revenue Fund to a new Problem Gambling Grant Fund. The new fund is administered by the Department of Social and Rehabilitation Services. As a result of this new transfer, there is less revenue available for the other three funds. Beginning in FY 2001, the amounts transferred are as follows:

- Economic Development Initiatives Fund—\$42,432,000;
- Correctional Institutions Building Fund—\$4,992,000;
- Juvenile Detention Facilities Fund—\$2,496,000; and
- Problem Gambling Grant Fund—\$80,000.

Gaming revenues in excess of \$50.0 million are credited to the State General Fund. The approved budget for FY 2002 includes an estimated \$60.0 million from gaming revenues.

Appropriations from gaming revenues in support of education related programs are made from the EDIF. A portion of the EDIF expenditures are used to support education. Approved FY 2002 expenditures from the EDIF in support of education are summarized below:

- Department of Education/State Board of Regents—\$10.03 million;
- Department of Commerce and Housing—\$4.36 million;
- Kansas Technology Enterprise Corporation—\$8.57 million; and
- Adjutant General Educational Assistance Program—\$250,000.

These four expenditures total \$23.21 million, which is 54.6 percent of approved EDIF expenditures.

Attached is a detailed table which indicates the total approved expenditures from the EDIF for FY 2000, FY 2001, and FY 2002.

TABLE F

ACTUAL FY 2000, ESTIMATED FY 2001, AND APPROVED FY 2002
 TRANSFERS AND EXPENDITURES FROM THE
 ECONOMIC DEVELOPMENT INITIATIVES FUND

Agency/Program	Actual FY 2000	Approved FY 2001	Approved FY 2002
Department of Commerce and Housing			
Agency Operations	\$ 6,994,001	\$ 8,583,915	\$ 8,459,757
Small Business Development Centers	485,000	485,000	485,000
Certified Development Companies	475,000	400,000	400,000
Kansas Industrial Training/Retraining	3,600,000	3,600,000	3,600,000
Trade Show Promotion Grants	149,495	150,000	150,000
Community Capacity Building Grants	197,000	197,000	197,000
Economic Initiative Opportunity Fund	5,000,000	3,500,000	3,500,000
Tourism Promotion Grants	952,100	1,052,100	1,052,100
Mid-America World Trade Center	41,889	42,000	0
Mainstreet Grant and Development Prog.	216,550	216,800	216,800
Existing Industry Expansion Prog.	800,000	500,000	500,000
Travel Information Centers	6,355	15,000	115,000
Training Equipment Grants	300,000	277,500	277,500
Motion Picture and Television Rebate	0	23,800	75,000
Agriculture Products Dev.	536,817	540,000	540,000
Kansas Sports Hall of Fame	50,000	0	0
Eisenhower Museum Grant	300,000	300,000	0
National Teachers Hall of Fame Grant	0	100,000	0
HOME Program	0	533,022	530,000
Subtotal - KDCH	<u>\$ 20,104,207</u>	<u>\$ 20,516,137</u>	<u>\$ 20,098,157</u>
Kansas Technology Enterprise Corporation			
Agency Operations	\$ 1,290,829	\$ 1,308,863	\$ 1,331,781
Centers of Excellence	4,350,000	4,325,000	4,350,000
Research Matching Grants	1,260,000	1,246,000	1,216,000
Information Services	97,279	0	0
Business Innovative Research Grants	58,643	76,000	76,000
Small Business Innovation Research	400,000	440,000	440,000
Special Projects	83,893	79,303	79,303
Commercialization Grants	1,690,000	1,156,664	1,450,000
Mid-America Manufac. Tech. Center (MAMTC)	1,000,000	950,931	1,000,059
EPSCoR	3,200,000	3,200,000	3,000,000
Graduate Intern Program	30,000	0	0
Subtotal - KTEC	<u>\$ 13,460,644</u>	<u>\$ 12,782,761</u>	<u>\$ 12,943,143</u>
Kansas, Inc.			
Agency Operations	\$ 185,924	\$ 336,949	\$ 343,267
State Fair			
Agency Operations	\$ 35,000	\$ 134,000	\$ 0
Capital Improvements	0	100,000	0
Subtotal - State Fair	<u>\$ 35,000</u>	<u>\$ 234,000</u>	<u>\$ 0</u>

Agency/Program	Actual FY 2000	Approved FY 2001	Approved FY 2002
Department of Education/Board of Regents			
Ag in the Classroom	\$ 0	\$ 30,000	\$ 0
Challenger Project	0	50,000	0
Matching Grants - AVTS	191,018	200,000	166,855
Postsecondary Aid—AVTS	6,716,110	6,882,981	6,916,110
Capital Outlay—AVTS	2,000,000	2,700,000	2,700,000
Comprehensive Grant Scholarship Assistance	0	250,000	250,000
Subtotal - Education/Regents	<u>\$ 8,907,128</u>	<u>\$ 10,112,981</u>	<u>\$ 10,032,965</u>
Historical Society			
Agency Operations	\$ 192,107	\$ 95,000	\$ 0
Arts Commission			
Agency Operations	\$ 0	\$ 119,110	\$ 0
State Library			
Grants to Local Libraries	\$ 0	\$ 170,000	\$ 0
Department of Administration			
Public Television Grants	\$ 0	\$ 350,000	\$ 0
Wildlife and Parks			
Local Government Outdoor Recreation	\$ 500,000	\$ 500,000	\$ 0
Adjutant General			
Kansas National Guard Educational Assist. Program	\$ 50,000	\$ 50,000	\$ 250,000
State Water Plan Fund	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,638,180</u>
TOTAL EXPENDITURES	<u>\$ 45,435,010</u>	<u>\$ 47,266,938</u>	<u>\$ 45,305,712</u>

**EDIF Resource Estimate
FY 2001 – FY 2002**

	Approved FY 2001	Approved FY 2002
Beginning Balance	\$ 3,779,114	\$ 1,976,476
Gaming Revenue	42,500,000	42,500,000
Other Income	2,964,300	1,000,000
Total Available	<u>\$ 49,243,414</u>	<u>\$ 45,476,476</u>
Less: Expend. and Transfers	47,266,938	45,305,712
ENDING BALANCE	<u>\$ 1,976,476</u>	<u>\$ 170,764</u>

Kansas Lottery

Expenditures:	Actual FY 2000	Approved FY 2001	Approved FY 2002
State Operations	\$ 20,282,802	\$ 23,086,874	\$ 23,125,424
Prizes and Retailer Commissions	<u>116,349,287</u>	<u>117,134,307</u>	<u>117,197,791</u>
TOTAL--Operating	<u>\$ 136,632,089</u>	<u>\$ 140,221,181</u>	<u>\$ 140,323,215</u>
Financing:			
All Funds	\$ 136,632,089	\$ 140,221,181	\$ 140,323,215
State General Fund	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 136,632,089</u>	<u>\$ 140,221,181</u>	<u>\$ 140,323,215</u>
Percent Change:			
All Funds	(1.2)%	2.6%	0.1%
State General Fund	0.0%	0.0%	0.0%
FTE Positions			
	88.0	88.0	89.0
Other Unclassified Positions	<u>5.0</u>	<u>2.0</u>	<u>2.0</u>
TOTAL	<u>93.0</u>	<u>90.0</u>	<u>91.0</u>
Transfers to the SGRF	\$ 59,646,911	\$ 60,000,000	\$ 60,000,000

The 2001 Legislature approved sales by the Kansas Lottery of \$200 million in FY 2001 and \$200 million in FY 2002. Payments for prizes, retailer commissions, and certain categories of state operations fees (online telecommunications, online service contract, and instant ticket printing) are linked to the sales estimates and are adjusted as sales projections change. In FY 2002, the expenditure limitation for agency operations totals \$9,257,161.

There is a statutory minimum of 30 percent of lottery sales reserved for transfer to the State Gaming Revenues Fund (SGRF), except for sales of pull-tabs which are set at 20 percent. Since 1999, the Legislature has approved the 30.0 percent transfer rate in order to provide additional funds for prizes. Prior to FY 2000, higher transfer rates often were approved by the Legislature since any excess funds above \$50 million accrue to the State General Fund. In FY 2001, originally 13 transfers had been scheduled. However, a proviso in the FY 2002 appropriations bill preempted the 13th transfer, and as a result, there are scheduled only 12 transfers in FY 2001 and 12 transfers in FY 2002. Actual FY 2001 transfers totaled \$56,535,258. The original estimate based on 13 transfers was \$64.6 million in FY 2001.

THE KANSAS LOTTERY

Executive

Director: Ed Van Petten

Address: (for all locations unless otherwise noted)

128 North Kansas Avenue

Topeka 66603-3638

Phone: (785) 296-5700

Department of Finance

Comptroller: Gary Saville

Phone: (785) 296-5781

Department of Information Resources

Director: Dave Mackey

Phone: (785) 296-5782

Division of Security

Director: Darrell Pflughoft

Phone: (785) 296-5714

Division of Sales and Marketing

Director: vacant

Phone: (785) 296-5762

A state operated lottery was approved by Kansas voters in the 1986 elections. Based upon the approval, the Kansas Legislature implemented legislation authorizing the creation and powers of a state agency called the Kansas Lottery. Governor Mike Hayden signed the legislation March 12, 1987. which as approved:

- The Kansas Lottery is administered by the executive director, who is appointed by the governor.

- The Kansas Lottery Commission, a five-member board appointed by the governor, consults with and advises the executive director in establishing policy, approving major contracts, rules and regulations for Lottery games and promotions, and approving the annual budget.

- The Kansas Lottery Act requires that a minimum of 45 percent of total revenue be returned to the players through the prize fund. Currently, an average of 54 percent is being paid out in prizes.
- The State Gaming Revenues Fund receives 30 percent of lottery ticket sales. (Exception: The 2001 Kansas Legislature approved 20 percent of Kansas Lottery **pull tab ticket sales only** to be transferred to the State Gaming Revenues Fund.) The Kansas Legislature determines how monies in the State Gaming Revenues Fund are distributed. Transfers up to \$50 million are made from the State Gaming Revenues Fund in the following manner: 85 percent is allocated to the Economic Development Initiatives Fund, 10 percent is transferred to the Correctional Facilities Building Fund, and 5 percent provides revenues for the Juvenile Detention Facilities Building Fund.
- Kansas Lottery tickets are exempted from sales tax.

DEPARTMENTAL SUMMARIES

- Executive - The Executive Department oversees staffing, internal auditing, legal guidance and secured operation of the Kansas Lottery. It ensures all personnel are knowledgeable of the newest and most effective products, technologies, marketing and advertising strategies within the gaming and lottery industries. Along with providing a positive environment for employees, the Executive Department maintains integrity and confidence in the agency for the benefit of all Kansans.

-- Sales and Marketing -- The sales division is under the supervision of the director of Marketing and Sales, who is responsible for developing and implementing online and instant game sales goals and strategies, and for coordinating regional office activities including the distribution of instant and pull-tab ticket stock.

The marketing division markets and promotes the Kansas Lottery and its games in an effective and responsible manner. The marketing division is under the supervision of the director

of Marketing and Sales, who is responsible for the development of new games, contracted advertising and promotional events.

-- **Security** -- The role of the Security Department is to provide maximum security to Lottery personnel and property, to investigate and prosecute criminal violations related to the Lottery and to preserve the integrity of the Lottery and all its activities.

-- **Information Resources** -- This department is responsible for developing, maintaining, securing and providing user training and support for all the computer and telecommunications needs of the Lottery.

KANSAS LOTTERY AND WAGERING TAX REVENUE TRANSFERS								
	Actual FY 1988	Actual FY 1989	Actual FY 1990	Actual FY 1991	Actual FY 1992	Actual FY 1993	Actual FY 1994	Actual FY 1995
SGF Receipts/Offsets:								
Lottery Transfers to SGF	\$ 2,843,321	--	--	--	\$ 1,500,000	--	--	--
Lottery Transfers to KBI	--	--	--	--	--	150,000	100,684	122,124
Racing Transfers to SGF	--	--	--	1,646,665	--	--	--	--
Racing Transfers to KBI	--	--	350,000	364,000	303,872	289,984	322,580	366,368
Total Transfers	\$ 2,843,321	--	\$ 350,000	\$ 2,010,665	\$ 1,803,872	\$ 439,984	\$ 423,264	\$ 488,492
State Gaming Revenue Fund Receipts:								
Regular Lottery Transfers ^a	\$ 8,500,000	\$ 20,115,848	\$ 19,081,989	\$ 19,453,470	\$ 22,847,019	\$ 32,479,362	\$ 45,787,329	\$ 50,806,564
Special Lottery Transfers	--	1,444,696	150,000	--	2,800,000	--	2,000,000	2,318,130
KBI Transfer to SGRF	--	--	--	--	--	--	--	--
Racing Transfers	--	--	3,682,246	7,577,665	7,103,667	5,822,316	5,963,172	4,073,564
Total Funds Available	\$ 8,500,000	\$ 21,560,544	\$ 22,914,235	\$ 27,031,135	\$ 32,750,686	\$ 38,301,678	\$ 53,750,501	\$ 57,198,258
SGRF Transfers Out:								
To Econ. Dev. Initiative Fund	\$ 5,100,000	\$ 12,936,326	\$ 13,748,541	\$ 24,328,021	\$ 29,475,617	\$ 34,471,510	\$ 45,000,000	\$ 45,000,000
To County Reappraisal Fund	2,550,000	6,468,163	6,874,271	(b)	(b)	(b)	(b)	(b)
To State General Fund ^c	--	--	--	--	--	--	3,750,501	7,198,258
To Juvenile Detention Fund	--	--	--	--	--	--	--	--
To Correctional Inst. Bldg. Fund	850,000	2,156,054	2,291,424	2,703,114	3,275,069	3,830,168	5,000,000	5,000,000
To Problem Gambling Grant Fund ^d	--	--	--	--	--	--	--	--
Total SGRF Transfers	\$ 8,500,000	\$ 21,560,544	\$ 22,914,235	\$ 27,031,135	\$ 32,750,686	\$ 38,301,678	\$ 53,750,501	\$ 57,198,258
Transfer to County Reapprsl. Fund ^e	--	\$ 2,915,318	\$ 24,316	--	--	--	--	--
TOTAL ANNUAL GAMING TRANSFERS	\$ 11,343,321	\$ 24,475,862	\$ 23,288,551	\$ 29,041,800	\$ 34,554,558	\$ 38,741,662	\$ 54,173,765	\$ 57,686,750
Cumulative Transfers	\$ 11,343,321	\$ 35,819,183	\$ 59,107,734	\$ 88,149,534	\$ 122,704,092	\$ 161,445,754	\$ 215,619,519	\$ 273,306,269

a) Statutory rate of at least 30.00 percent. Set by provision in the appropriation bill at 30.00 percent in FY 2000 and FY 2001.

b) No 30 percent statutory transfer for reappraisal after June 30, 1990.

c) Only when SGRF receipts exceed \$50,000,000, annually.

d) Beginning in FY 2001, the Legislature approved an annual transfer of \$80,000 to the Problem Gambling Grant Fund. This action reduced the amounts available for transfer to the EDIF, JDF, and CIBF.

e) Recapture of lapsed encumbrances per 1988 HB 3091.

KANSAS LOTTERY AND WAGERING TAX REVENUE TRANSFERS (continued)

	Actual FY 1996	Actual FY 1997	Actual FY 1998	Actual FY 1999	Actual FY 2000	Actual FY 2001	Cumulative Total
SGF Receipts/Offsets:							
Lottery Transfers to SGF	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 4,343,321
Lottery Transfers to KBI	124,008	162,393	--	--	--	--	659,209
Racing Transfers to SGF	--	--	--	--	--	--	1,646,665
Racing Transfers to KBI	372,023	393,965	--	--	--	--	2,762,792
Total Transfers	\$ 496,031	\$ 556,358	--	--	--	--	\$ 9,411,987
State Gaming Revenue Fund Receipts:							
Regular Lottery Transfers ^(a)	\$ 54,614,751	\$ 56,182,980	\$ 60,304,388	\$ 59,333,464	\$ 59,646,910	\$ 56,535,258	\$ 565,689,332
Special Lottery Transfers	3,375,788	312,761	--	--	--	--	12,401,375
KBI Transfer to SGRF	--	--	253,195	--	--	--	253,195
Racing Transfers	2,476,790	1,428,020	1,598,007	680,090	531,070	426,605	41,363,212
Total Funds Available	\$ 60,467,329	\$ 57,923,761	\$ 62,155,590	\$ 60,013,554	\$ 60,177,980	\$ 56,961,863	\$ 619,707,114
SGRF Transfers Out:							
To Econ. Dev. Initiative Fund	\$ 42,500,000	\$ 42,500,000	\$ 42,500,000	\$ 42,500,000	\$ 42,500,000	\$ 42,432,000	\$ 464,992,016
To County Reappraisal Fund	(b)	(b)	(b)	(b)	(b)	(b)	15,892,434
To State General Fund ^(c)	10,467,329	7,923,761	12,155,590	10,013,554	10,177,980	6,961,863	68,648,836
To Juvenile Detention Fund	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,496,000	14,996,000
To Correctional Inst. Bldg. Fund	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	4,992,000	55,097,828
To Problem Gambling Grant Fund ^(d)	--	--	--	--	--	80,000	80,000
Total SGRF Transfers	\$ 60,467,329	\$ 57,923,761	\$ 62,155,590	\$ 60,013,554	\$ 60,177,980	\$ 56,961,863	\$ 619,707,114
Transfer to County Reapprsl. Fund ^(e)	--	--	--	--	--	--	\$ 2,939,634
TOTAL ANNUAL GAMING TRANSFERS	\$ 60,963,360	\$ 58,480,119	\$ 62,155,590	\$ 60,013,554	\$ 60,177,980	\$ 56,961,863	\$ 632,058,735
Cumulative Transfers	\$ 334,269,629	\$ 392,747,748	\$ 454,905,338	\$ 514,918,892	\$ 575,096,872	\$ 632,058,735	

- a) Statutory rate of at least 30.00 percent. Set by provision in the appropriation bill at 30.00 percent in FY 2000 and FY 2001.
- b) No 30 percent statutory transfer for reappraisal after June 30, 1990.
- c) Only when SGRF receipts exceed \$50,000,000, annually.
- d) Beginning in FY 2001, the Legislature approved an annual transfer of \$80,000 to the Problem Gambling Grant Fund. This action reduced the amounts available for transfer to the EDIF, JDF, and CIBF.
- e) Recapture of lapsed encumbrances per 1988 HB 3091.

STATE OF KANSAS

Bill Graves, Governor

Robert Longino, Director
Division of Alcoholic Beverage Control
Kansas Department of Revenue
915 SW Harrison
Topeka, KS 66625-3512



DEPARTMENT OF REVENUE

Stephen S. Richards, Secretary

(785) 296-7015
FAX (785) 296-7185
Email: abc_mail@kdor.state.ks.us
Internet: www.ksrevenue.org/abc

Division of Alcoholic Beverage Control

To: Senator Nancey Harrington, Chairperson Senate Fed and State Affairs Committee

From: Robert Longino

Date: January 29, 2002

Subj: Division of Alcoholic Beverage Control Update

Senator Harrington and Distinguished Committee Members, it is my pleasure to visit with you for a few minutes this morning to provide you an overview of the operations and functioning of the Division of Alcoholic Beverage Control. Today indeed is a much more pleasant experience for me after two years with ABC. As many of you know, the Division experienced some focus and direction issues in the late 1990s that affected the performance of our duties. With the diligent assistance of many dedicated associates and the support of two Secretaries, we have moved forward from that period. Have we resolved all issues and are we in top-notch condition? No, but we are focused and moving forward with a revised sense of direction and with specific objectives.

We have implemented several initiatives and continue to work on many others. In regards to ongoing actions, I will comment on the following areas:

1. Division Organizational Issues
2. Automation of Business Processes
3. Communications
 - a. Web site
 - (1) ABC Notices
 - (2) Policy Memoranda
 - (3) Web site Address – www.ksrevenue.org/abc
 - b. Industry Bulletin
 - c. ABC Forum Program
4. Underage Enforcement
5. Enforcing Underage Drinking Laws Advisory Task Force
6. Liquor Drink Tax Bond Waiver Option
7. Governor's Substance Abuse Prevention Council

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8. Enforcement Focus Program
9. Other issues or trends of interest

In addition to the topics discussed above, I have provided you with a packet of additional information. These documents provide additional information for your review. The documents include:

1. Final Drafts of Pamphlets for Distribution
 - a. Agency Overview
 - b. Underage Drinking
2. Final Draft of our current Industry Bulletin
3. Review of Licensee Populations
4. FY2001 Liquor Tax and Fee Distributions
5. Miscellaneous Compliance and Violation Data
6. Current Liquor by the Drink Map
7. Miscellaneous Press Releases of Recent Division Activity

In closing, I appreciate the attentiveness and support of this committee to the Division. If at anytime you have any other issues or concerns, I would be glad to visit with you at your convenience. Thank you for your time this morning and I'll make myself available for any questions

Kansas Alcoholic Beverage Control

The Director of Alcoholic Beverage Control (ABC) has the responsibility of administering laws governing the manufacture, distribution, sale and consumption of alcoholic beverages in Kansas. The ABC director and the director's staff and agents ensure that out-of-state suppliers, in-state distributors, and retail-level Kansas licensees comply with the state liquor laws. Additional duties performed include enforcing laws against selling cigarettes to underage persons, investigation of allegations of criminal tax fraud across the spectrum of taxes administered by the Kansas Department of Revenue, and collecting the tax on illegal drugs. ABC, a division of the Kansas Department of Revenue, has the following organizational units:

Administration Section

Manages business operations, performs criminal background checks on licensees and their employees, oversees the administrative action process and provides administrative support to the Division. An Assistant Attorney General administratively prosecutes violations of the liquor laws, assists in drafting regulations, reviews agreements and provides legal counsel.

Licensing Section

Processes and issues liquor and cigarette licenses and permits, monitors licensee tax accounts, collects gallonage taxes, reviews and approves suppliers, monitors brand registration, maintains franchise agreements and provides customer service to licensees.

Compliance Field Agent Section

Assists licensees in complying with liquor, bingo and tax laws, by providing education and assistance on-site with licensees located throughout Kansas. Monitors compliance with liquor, bingo and tax laws and refers violations for appropriate administrative legal action when licensees fail to comply.

Investigation and Criminal Enforcement (ICE) Section

Enforces the liquor laws and the criminal provisions of laws relating to taxation and sales of cigarettes to underage persons. Enforcement Agents are certified law enforcement officers who conduct detailed investigations. Results of investigations where violations are proven are presented to district and county attorneys for criminal prosecution, and/or to the ABC assistant attorney general for administrative action against the liquor or tobacco license.



Kansas



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Alcoholic Beverage Control Division

Alcoholic

Beverage

Control

Agency Overview

Kansas Department of Revenue
Alcoholic Beverage Control Division
Docking State Office Building
915 SW Harrison, Room 214
Topeka, Kansas 66625-3512

Business: (785) 296-7015
Fax: (785) 296-7185

www.ksrevenue.org/abc

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The History of Liquor Control in Kansas

In 1880, Kansas was the first state to prohibit the distribution and sale of alcoholic beverages. Hundreds if not thousands of illegal liquor establishments openly flourished in the early years of prohibition, because of a lack of enforcement. In 1890, Cary Nation began hatcheting illegal liquor joints and campaigned for enforcement with little success. In 1917, the legislature passed the "Bone Dry" bill, prohibiting the possession and consumption of liquor, and ending direct shipments to consumers from out of state suppliers. Profits skyrocketed for bootleggers and moonshiners who illegally supplied alcohol to those thirsty for a drink. When national prohibition ended in 1933, Kansas voters elected to keep prohibition in place in the state. The 1937 Kansas Legislature, however, legalized the distribution and selling of beer containing less than 3.2% alcohol, by excluding it from the definition of intoxicating liquor, and allowing only those 18 years of age and older to possess it. The age requirement was later (1985) raised to 21 for 3.2% beer known as cereal malt beverage.

Kansas became one of the last states to lift prohibition when its voters passed a constitutional amendment authorizing the legislature to permit the distribution and sale of liquor under tight controls in 1948. The following year the legislature passed the liquor control act, creating the Alcoholic Beverage Control (ABC), and set the minimum drinking age for beer and strong beer at 21 years. With the legalization of liquor, the ABC was assigned the



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task of regulating and controlling the liquor industry. During the reorganization of Kansas state agencies in 1972, this stand alone agency became a division of the Kansas Department of Revenue.

Liquor Licenses

To produce, distribute or sell alcoholic beverages in Kansas, a license must be obtained from ABC. License types are:

Manufacturer-May store and sell alcoholic beverages to distributors and to nonbeverage users. Fee: \$2,500 for spirits; \$500 for wine; \$200-\$1,600 for beer depending on daily capacity.

Spirits Distributor-May purchase, import and store spirits. May sell spirits to retail liquor stores. Fee: \$1,000.

Wine Distributor-May purchase, import and store wine. May sell to retail liquor stores. May also sell to on-premise establishments if wine is sold in bulk container (more than 20 liters). Fee: \$1,000.

Beer Distributor-May purchase, import and store cereal malt beverage (CMB) and strong beer. Strong beer (more than 3.2% alcohol by weight) may be sold to retail liquor stores and to on-premise establishments. CMB may be sold to CMB outlets and to on-premise establishments. Fee: \$1,000.

Retail Liquor Store-May sell spirits, wine, strong beer and beer containing less than 0.5% alcohol by weight in the original package to the general public for consumption away from the premises. No other products may be sold except authorized lottery tickets. May also sell to on-premise establishments with a federal permit. Fee: \$250.

Farm Winery-May manufacture and sell wine by the package to consumers for consumption off the premises. May also sell to wine distributors, retail liquor stores and to on-premise establishments. Samples may be served on the premises if the farm

winery is located in a liquor-by-the-drink county. Fee: \$250.

Microbrewery-May manufacture, store and sell beer by the package for consumption off the premises. Beer may also be sold to beer distributors and caterers. Beer may be sold for consumption on the premises if the microbrewery also has a drinking establishment license. Samples may be served if the microbrewery is located within a liquor-by-the-drink county. Fee: \$250.

Class A Private Club (not for profit)-May sell and serve alcoholic beverages to members, their families and guests accompanying members for consumption on the premises. Fees: Fraternal/Veterans-\$250; Social with 500 or fewer members-\$500; Social with more than 500 members-\$1,000.

Class B Private Club (for profit)-May sell and serve alcoholic beverages to members and guests of members for consumption on the premises. Fee: \$1,000.

Drinking Establishment-May sell and serve alcoholic beverages to the general public for consumption on the premises. Must be located within a liquor-by-the-drink county. Fee: \$1,000.

Caterer-May sell and serve spirits, wine and strong beer for consumption on unlicensed premises to the general public. Must be located within a liquor-by-the-drink county. ABC notification requirement: 10 days. Fee: \$500.

Hotel Drinking Establishment-May sell and serve alcoholic beverages to the general public for consumption on the premises. Must be located within a liquor-by-the-drink county. Fee: \$3,500.

Temporary Permit-May sell and serve spirits, wine and strong beer for consumption on unlicensed premises to the general public. Must be located in a liquor-by-the-drink county. ABC notification requirement: 14 days prior to scheduled event. Fee: \$25 per day.

Taxation of Alcoholic Beverages

Gallonage tax is paid by in-state distributors as alcoholic beverages are shipped into Kansas or by in-state manufacturer, microbreweries or farm wineries as product is produced. Gallon Rates-Spirits: \$2.50; Fortified Wine: \$0.75; Light Wine: \$0.30; Beer: \$0.18.

Liquor Enforcement Tax is collected from consumers or from on-premise establishments by retail liquor stores and distributors and remitted to the state monthly. Rate: 8%. Tax is in lieu of sales tax.

Liquor Drink Tax is collected from consumers by on-premise establishments (drinking establishments, clubs, caterers, hotels) and remitted to the state monthly. Rate: 10%. Tax in lieu of sales tax.

Enforcement of Underage Laws

Agents within ABC's Investigation and Criminal Enforcement section, along with other law enforcement officers, have stepped up efforts to reduce underage drinking in Kansas.

Underage drinking inflicts a heavy cost on society. Recent studies consistently show that underage alcohol consumption plays a major part in car crashes, teen crime, violence, date rapes, and suicides. Alcohol related vehicle accidents are the number one killer of people younger than 20 years of age and student drinking is the number one health problem on college campuses. Drivers younger than 21 years of age accounted for 18 percent of all alcohol-related motor vehicle crashes in 1999 despite comprising only 11 percent of all Kansas drivers according to the Department of Transportation.

ABC agents take a proactive approach to reducing consumption of alcohol by minors. Agents use a variety of investigative techniques to enforce underage laws including controlled buy investigations, stop, question and frisk, bar checks and furnishing surveillance.

Enforcement Effort to Reduce Underage Drinking

Enforcement of underage drinking laws is performed by the state Alcoholic Beverage Control (ABC) Division as well as by local law enforcement agencies across Kansas. ABC is a division of the Kansas Department of Revenue and its agents are certified law enforcement officers with jurisdiction throughout Kansas. Underage violations are prosecuted in criminal district courts in the county in which violations take place.

A number of investigative techniques are used to detect underage violations:

Cops in shops— An ABC agent or local law enforcement officer, posing as a liquor store customer or clerk, takes appropriate enforcement action when an underage person illegally attempts to purchase alcohol. Action is also taken against those found buying alcohol for underage persons.

Controlled Buy Investigations— A youthful-looking underage person, working with ABC or a local law enforcement agency, attempts to buy alcohol from a licensed establishment. The underage person uses his/her own identification during the investigation, which shows him or her to be **under 21** years of age. This investigative tool is a quick method to determine if licensed establishments are keeping alcohol out of the hands of minors. It is especially effective in dealing with licensees who have established a pattern of selling to underage persons or allowing them to consume on the licensed premises.

Bar Checks— ABC agents or local law enforcement officers visit a drinking establishment looking for underage persons who are possessing or consuming alcohol. This practice is also effective in identifying establishments that are allowing minors to possess and/or consume alcoholic beverages on licensed premises.

Furnishing Surveillance— ABC agents or local law enforcement officers take appropriate action when an adult provides alcohol to a minor. This crime normally takes place outside the liquor store, either in the parking lot or at a predetermined location away from the liquor store or cereal malt beverage (3.2% beer) outlet.

Prom/ Graduation Watch— Local law enforcement officers or ABC agents work areas in and around prom or graduation parties, taking appropriate action when minors are found to be possessing or consuming alcohol. This also includes areas at and around hotels where students congregate after prom related activities.

Special Events— Local law enforcement officers or ABC agents take appropriate action when underage persons gather together to drink, e.g., keg parties. Calls from citizens and concerned parents are especially helpful in locating these parties, which frequently occur in places where law enforcement officers may have difficulty detecting them.

Kansas



ABC

Photo

Kansas Department of Revenue
Alcoholic Beverage Control
Docking State Office Building
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Kansas



Alcoholic Beverage Control Division

Underage Drinking:

- The Cost
- Legal Consequences
- Enforcement of Law

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The Price of Underage Drinking

Underage drinking inflicts a heavy cost on society. Recent studies consistently show that underage alcohol consumption plays a major part in car crashes, teen crime, violence, date rapes, thefts and suicide. Alcohol-related vehicle accidents are the number one killer of people younger than 20-years of age and student drinking is the number one health problem on college campuses.

In a high percentage of serious crimes involving underage persons, alcohol was found in the offender, the victim, or both. Alcohol consumption also produces higher rates of teen pregnancy and academic failure both for high

Photo

school and college students. Students with grades of D or F drink three times as much as those who earn A's. Highly truant high school seniors are two and one-half times more likely to report having been drunk in the past month.

More students under the age of 21 binge drink (drinking 5 or more drinks on one occasion) and have alcohol-related problems than those over 21 years old.

Heavy drinking (defined as having 5 or more drinks during the past two weeks) remains high in Kansas—31% of high school seniors, 26% of sophomores and 15% of eighth graders in 2000.

The problem in Kansas is indeed serious. Drivers younger than 21 accounted for 18 percent of all alcohol-related crashes despite comprising only 11 percent of all Kansas drivers in 1999. These young drivers are involved in more than 600 alcohol-related crashes each year. Four out of five Kansas high school students reported drinking alcohol in the past 30 days in 1999. In 2000, 37% of students in the 6th, 8th, 10th and 12th grades reported drinking alcohol in the past 30 days, a five percent rise over the previous year. Perhaps more disturbing is the fact 20 percent of students surveyed reported binge drinking.

The rate of binge drinking among students continues to rise. In a University of Kansas study in 1998, 85% of underage students reported gaining access to alcohol at private parties, 74% at fraternities, 56% at bars, 49% at sororities, 40% at restaurants and 34% at liquor stores.

With demographic trends pointing toward steady growth in the youth population, the prospect of more youth drinking has serious implications for health care, juvenile justice, criminal justice and education systems, costing Kansans millions of dollars.*

Legal Consequences for Minors who Choose to Drink

It is a crime for a person under the age of 21 to possess or consume alcoholic beverages. It is also illegal for a minor to *attempt* to obtain or purchase alcoholic beverages. In addition to receiving a criminal record, an underage person who drinks or is found in possession of such beverages may be arrested and booked into jail and will face a fine between \$200 and \$500 plus court costs upon conviction. The court may also order up to 40 hours of community service, mandate alcohol

education and training classes, or render a jail sentence. Those charged will also face the possibility of having their driver's license suspended for 30 days by the court upon conviction of such offense.

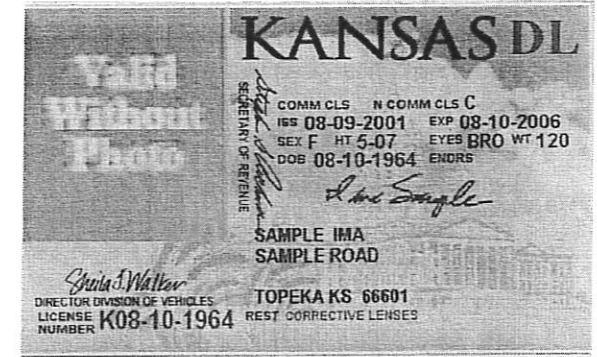
Legal Consequences for Furnishing Alcohol to Minors

It is illegal for those 21 and older to sell to, buy for, give or furnish alcoholic beverages to an underage person. Furnishing alcohol to a minor is a class B misdemeanor and those doing so will either be issued a criminal notice to appear or arrested and booked into jail. The furnisher will face a minimum fine of \$200 plus court costs upon conviction. Drinking establishments and other bars licensed to sell alcoholic beverages by the State of Kansas can also receive administrative penalties for selling alcoholic beverages to minors or for permitting minors to possess and consume alcohol on the premises. Retail liquor stores also face administrative penalties for selling alcohol to minors. Penalties range from mandatory training, to fines, to temporary suspensions of licenses, to permanent revocation of liquor licenses. The administrative penalty for an underage violation is increased when an establishment alerts customers of ABC's presence. Any licensed establishment that accumulates underage violations on nine separate dates within a four-year period will have its liquor license permanently revoked.

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Legal Consequences for Fake ID Crimes

It is a crime for a person to manufacture, distribute, possess, use, lend or borrow a fake driver's license or identification card. In addition to getting a criminal record, the person who has a fake ID may be arrested and booked into jail as well as face a fine of at least \$200, plus court costs and possibly a jail sentence.



*References available upon request

Kansas Department of Revenue
Alcoholic Beverage Control
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Kansas Department of Revenue

Alcoholic Beverage Control

January 2002

Industry Bulletin

Volume 2, Issue 2

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Kansas Leadership To Keep Children Alcohol Free

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Underage Enforcement

Putting the customer
first every time!



WINTER GREETINGS

We would be remiss if we did not start this new edition of our "Industry Bulletin" by reflecting back on the tragic events of this past fall. These events affected all Americans with sadness and uncertainty. Similar setbacks in our history have simply been temporary and we hope that good will come from this recent evil. Our thoughts and prayers are with all of those adversely affected by these events.

The fall period was busy at ABC with several activities and initiatives moving along. First, we kicked off our ABC Forum program with visits to Topeka, Lawrence, Pittsburg and Manhattan. The Forum program is designed to bring the Division to local communities, inform attendees about recent activity at ABC and open a dialogue to deal with issues affecting the alcoholic beverage industry in Kansas. We have been pleased with the program to date and encourage licensees to attend sessions when they are presented in your area. We will address the Spring/Summer 2002 Forums later in this bulletin.

Second, with the participation of the industry, our electronic data interchange and electronic funds transfer program with distributors is moving along. Several aspects of this program will begin implementation in February and we hope to have the majority of the distributors linked up electronically by the first of July.

Additionally, we have added a page to our website where the public can view useful information. The General Information page contains links to the state statutes, administrative regulations, Department press releases, Division policy memoranda and other general information. We will continue to expand this page and if you have any suggestions for what you might like to see, please let us know.

Finally, an area of concern that needs to be addressed is licensee delinquency in liquor tax payments. A percentage of licensees continue to fall behind in their payment of liquor taxes. Several initiatives are underway to collect back taxes and prevent such occurrences in the future. Please do not be caught up in the situation as licenses may not be renewed or may be revoked. For those licensees subject to collecting and remitting the liquor drink tax, the revision to K.A.R. 92-24-23 will be implemented by the time you read this bulletin. This revision allows for drink tax bond relief for qualifying licensees. More information on this is provided in this bulletin.

Thanks for your attention and we hope this edition of our bulletin provides you with valuable information.

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**BOND RELIEF FOR COMPLIANT LIQUOR DRINK
TAX LICENSEES**

Kansas Administrative Regulation 92-24-23 states that “(a) each applicant or licensee making application for a new license or for renewal of an existing license shall post or have posted with the Department of Revenue a bond in an amount equal to three months average liquor drink tax liability or \$1,000, whichever is greater at the time of the application. New applicants who have no previous tax experience may estimate their expected liquor drink tax liability projected over a 12 month period and submit a bond in an amount equal to 25% of the projected tax liability or \$1,000, whichever is greater.”

On January 4, 2002, a modification to this regulation became effective. Licensees who have been compliant with K.S.A. 79-41a01 *et seq.* for a minimum of 24 consecutive months prior to renewal, may request a waiver of the bond requirement, in writing, at the time of renewal. ABC defines compliance with K.S.A. 79-41a01 *et seq.* and amendments thereto as:

- no balance due or underpayments;
- no non-filed periods;
- no returned checks;
- no late payments.

If you are a licensee renewing for the first or second time, ABC Licensing will review your account for a bond increase based on your average three month drink tax liability. If your current bond is not sufficient to cover your current liability, you will be required to increase the bond. Upon the third renewal, you may request in writing a waiver of the bond requirement if the account has been compliant for 24 consecutive months. If a waiver of the bond is requested, Licensing will review the account and inform the licensee if the waiver will be granted.

If, after the bond is released, the licensee fails to meet any of the above criteria for being compliant with the filing and remitting of the liquor drink tax, a bond shall be required for any subsequent renewal of the license.

Liquor Tax Compliance

As noted on page one, an issue we are concerned with is the level of liquor tax noncompliance. On October 30, 2001, the Director notified licensees of actions ABC is taking to ensure compliance of Liquor Drink and Liquor Enforcement taxes through an “ABC Notice Memorandum.” The notice is being mailed with renewal packets, given to licensees and posted on the website (<http://ksrevenue.org/abc/notice103001.pdf>).

Licensees who fail to timely file or remit taxes will be identified in the system and will be cited administratively. Failure to pay delinquent taxes, interest and penalty, as well as associated administrative fines, will result in an indefinite suspension or revocation of their license. In certain situations, it may lead to demands made on bonds and/or liquor and property being seized to cover the debt to the State. Please ensure that applicable taxes are collected and remitted in accordance with the statutes and regulations. The drink tax bond relief is designed to reward compliant drink tax licensees.

VOLUNTARY TAX COMPLIANCE IS THE GOAL

“We want everyone to pay their fair share.” That was the message delivered through focus groups in the past. Informal conversations reveal the same desire on the part of licensees today. How else can we create a level playing field? ‘Paying their fair share’ implies that taxes collected by licensees are deposited with the Department of Revenue.

Depending on your business, the taxes include liquor drink, liquor enforcement, sales, withholding, transient guest, corporate income tax and/or individual income tax. When reviewing a licensee’s account, all appropriate tax accounts are examined. When accounts are in arrears, action is taken that is specific to the situation based upon the response of the licensee.

LEGAL DOCKET

Several recent ABC administrative cases may be of interest to licensees:

- The first case involved two downtown Lawrence drinking establishments, Jersey’s, 1105 Massachusetts Street, and Fatso’s, 1016 Massachusetts. Both establishments relinquished their liquor licenses effective December 11, 2001 as part of a settlement reached with the ABC. Premier Entertainment Group, Inc. operated Jersey’s, and Fatso’s, L.L.C. operated Fatso’s, both of which were owned by the same three individuals. Each licensee pled no contest to numerous counts of permitting minors to possess or consume alcoholic liquor on the licensed premises, and also to a single count of operating after hours. As part of the settlement, the licensees paid a combined \$6,500 fine and

Continued on page 4

Certified Server Training Programs

The organizations listed below have been certified by the Division of Alcoholic Beverage Control to teach responsible alcoholic beverage management techniques. We are simply providing the information on these organizations as a service to our customers.

Kansas Licensed Beverage Association

Phil Bradley, State Coordinator

On premise establishments

P.O. Box 442066

Lawrence, Kansas 66044

Office & Fax number: 785-331-4282

Cell phone: 785-766-7492 (urgent calls only)

Email: info@klba.org

Kansas Responsible Liquor Education Council

Albert Lollar, State Coordinator

On and Off premise establishments

P.O. Box 4051

Topeka, Kansas 66604

Phone: 785-836-2603

Kansas Association of Beverage Retailers

Marge Roberson, State Coordinator

Off premise establishments

P.O. Box 3842

Topeka, Kansas 66604

Phone: 785-266-3963

Fax: 785-234-9718

Email: kabr@amycampbell.com

Cathy Slade

Certified Health Education Specialist

On and Off premise establishments

422 Mississippi Street

Lawrence, Kansas 66044

Phone: 785-749-0189

Email: cflade@yahoo.com

Kansas Leadership To Keep Children Alcohol Free

In Kansas, statistics show the average age our youth begin to drink is 12.5. According to Alcohol Health and Research World, Vol. 22, 1998, as kids begin drinking at earlier ages, the long-term consequences are more dramatic. Research shows kids who begin drinking before the age of 15 are four times more likely to develop alcoholism than those who wait until after 21.

When many other states across the nation began seeing similar trends, the Leadership to Keep Children Alcohol Free initiative was formed. This campaign is a unique collection of Governors' spouses, federal and state agencies, and public and private organizations, focusing their efforts to reduce the use of alcohol by youth. The Kansas Leadership to Keep Children Alcohol Free is a partnership in Kansas with numerous public and private organizations collaborating on the common goal - keeping children alcohol free.

For more information on Kansas Leadership to Keep Children Alcohol Free and what you can do in your community, contact Kansas Family Partnership at 1-800-206-7231 or go to their website: www.kansasfamily.com.

New Faces/Positions

ABC-Administration

Dean Reynoldson - Administrator

Kathleen Kunze - Tax Specialist

Jessica Schiefelbein - Licensee Administrative Action Specialist

Roxanne Little - Office Support Assistant

Licensing

Rosemary Buckingham - Customer Representative/Cigarette-Tobacco

Maria Herrick - Customer Representative/Liquor Renewals

Stephanie Griffin - Customer Representative/Liquor Renewals

Compliance

Paul Shaver - Compliance Field Agent/Wichita

John White - Compliance Field Agent/Topeka

Kraig Johnson - Compliance Field Agent/Topeka

Jim Mesecher - Compliance Field Agent/Northwest Kansas

Laura Kaul - Compliance Field Agent Team Lead/Topeka

Mark Tomasic - Compliance Field Agent Team Lead/Metro-Shawnee Office

Willis Garner - Compliance Field Agent/Metro-Shawnee Office

Jane Heller - Compliance Field Agent/Southwest Kansas

Greg Liston - Compliance Field Agent/Wichita

Dawn Bennett - Compliance Field Agent/Metro-Lawrence

Barb Devanny - Compliance Field Agent/Metro

Kathryn Miller - Compliance Field Agent/Wichita

Willie Wilkens - Compliance Field Agent/Topeka

Teresa Bittle - Compliance Field Agent/Metro

Continued from page 2

agreed not to seek another liquor license in Kansas for a period of three years. Both businesses were sold to Brothers of Lawrence, Inc., and are expected to continue to operate under new ownership.

- Another case involved the Silverado Saloon, 511 North Manhattan Avenue in Manhattan. The ABC revoked the license held by The Hawkinson Company, Inc., on September 25, 2001, on the basis that the licensee was operating the establishment as agent of another, more commonly known as fronting a hidden ownership; the license was obtained by fraud or false statements; and the licensee failed to maintain 30 percent food sales required of drinking establishments in Riley County. Of particular interest to licensees subject to the 30 percent food sales requirement is the ABC's rejection of Silverado Saloon's practice of claiming that door fees constituted food sales. The licensee claimed all patrons were entitled to a free pizza buffet after paying the door fee, and therefore counted its door fees as food sales. The ABC found that, while the licensee did occasionally keep pizza on the premises, it made no effort to inform patrons any type of food was available or that they were entitled to free pizza upon paying their door fees. In fact, the ABC determined that there had been occasions when patrons who did ask for pizza were charged for it, notwithstanding having already paid a door fee. The licensee appealed the ABC's revocation order to the Secretary of Revenue, but no action has been taken on the appeal. Meanwhile, The Hawkinson Company, Inc.'s license expired October 11, 2001, and ownership of the business has transferred to a new corporation, which continues to operate under the name Silverado Saloon.
- Club 707, at 707 Commercial in Emporia, owned by an individual, also recently had its license revoked. The licensee was prosecuted for two counts of permitting minors to possess or consume alcoholic liquor on the premises, and for three counts of unregistered employees. ABC, in an order dated July 24, 2001, directed the licensee to pay a fine in the amount of \$1,800 and to serve five weekend days of suspension. The order indicated that failure to timely pay the fine or to serve the suspension would result in automatic, immediate revocation of the license. The licensee neither appealed the order nor complied with it by paying the fine and serving the suspension. Accordingly, ABC revoked the license.

- Finally, The Groove, at 112 N. Santa Fe in Salina, recently entered into a settlement with the ABC to resolve several administrative charges pending against it. According to the settlement, The Groove, owned by Chevy's, Inc., pled no contest to two counts of denying immediate entry to a law enforcement officer and a single count of permitting a minor to possess or consume alcoholic liquor on the licensed premises. The Groove agreed to pay a \$10,000 fine and to serve a three-day suspension.

On another note, the Licensee Administrative Actions (LAA) section of the ABC reminds licensees that many violations can be easily avoided with advanced planning and awareness. In particular, the following are three violations that are increasing according to recent ABC dockets:

- The first is for unregistered employees. Many licensees apparently overlook their obligation to notify the ABC within five days of a new employee being hired. When ABC Enforcement or Compliance Agents perform a routine inspection and determine that an employee is unregistered, they submit a report to LAA and the licensee generally is prosecuted. Fines for this offense usually range from \$100 to \$1,000 per count, depending on the circumstances of the case and whether the licensee has had any previous violations. New employees may be listed on the same form as is submitted at license renewal time: ABC Form 280-6. This can be obtained by contacting the Licensing Section, or it may be printed directly from the ABC website.
- Another common violation occurs when licensees fail to identify the employee who purchases alcoholic liquor on the licensee's behalf. The employee's first and last name must be printed on the purchase order or invoice, and it is essential that the individual making the purchase is a registered employee of the licensee. Failure to include the individual's name, or allowing an unregistered employee to purchase the product on the licensee's behalf, generally carries a fine ranging from \$100 to \$1,000.
- The third violation that can be easily prevented is denying immediate entry to law enforcement. This is a violation the ABC takes very seriously, and, depending on the circumstances, it can result in revocation of a license after the very first violation. Generally speaking, licensees must allow entry and inspection by any agent or employee of the Director - or any law enforcement officer - anytime the

Policy Memoranda Issued in 2001

- 2001-1 Private Club Events
- 2001-2 Use of EFT Payments
- 2001-3 Age Restrictions and Allowable Duties
- 2001-4 Restrictions and Allowable Duties for Employees or Salespersons with Disqualifying Convictions

See the ABC website for copies.

Note:

The Employee Registration form (ABC 280-6) is being revised. Watch for the revised form in the near future and follow the attached instructions when completing it.

Who You Gonna Contact?

Licensing and tax questions:

Toll-free: 1-877-526-7738

Local 368-8222

Choose options 1, then 5, then 4

ABC Administration and

Enforcement:

1-785-296-7015

ABC Legal:

1-785-296-5370

Marketing:

1-785-368-6609

ABC Mailbox:

abc_mail@kdor.state.ks.us

Website:

www.ksrevenue.org/abc



ABC FORUMS

Last fall, the Division initiated a new program referred to as "ABC Forums." The intent of this program is to bring the leadership of the Division to various communities and discuss a variety of issues ranging from current happenings in the Division to trends noted in particular areas. During the fall we conducted Forums in four locations: Topeka, Lawrence, Pittsburg and Manhattan. This spring we will be conducting Forums in Salina (April), Wichita (May) and Johnson County (June). The specific dates, times and locations are listed below. We appreciated the attendance and interaction by licensees at our recent Forums and encourage licensees in and around the locations scheduled for this spring to attend those sessions. Hope to see you there!

<u>Date</u>	<u>Time</u>	<u>City/County</u>	<u>Location</u>
April 9	2-4 pm	Salina	Bicentennial Center
May 14	2-4 pm	Wichita	TBD
June 11	2-4 pm	Johnson County	TBD

Underage Enforcement

Under a contract with the Kansas Department of Transportation (KDOT), the Alcoholic Beverage Control (ABC) has expanded its underage enforcement efforts and coverage. Historically, the Division has spent most of its underage enforcement activities on licensed premises utilizing bar checks, cops in shops and controlled buys. With this contract through KDOT, the additional funding is allowing the ABC to expand its enforcement efforts beyond the licensed premise to where third parties are furnishing alcoholic liquor to minors.

The agents are still spending time enforcing the statutes and regulations on licensed premises, but are now also able to spend time enforcing the underage drinking laws away from licensed premises. With licensee compliance on the rise, more furnishing violations are being detected away from licensed premises. As more individuals are getting caught furnishing around licensed premises, they are shifting the transaction further away. In some instances, the minor will pick up a legal age individual at their home, drive them to a liquor store to make the purchase, drive them back home to drop them off, and then drive away with the alcohol. However, techniques are available to track such activity and take appropriate action.

Through this initiative, the ABC established a multi-agent Liquor Enforcement Mobile Operations Team from existing personnel to travel to locations/events around Kansas where large numbers of underage drinkers may be present.

This initiative also allows the Division to spend more time training and interacting with local law enforcement agencies. This additional assistance from local law enforcement agencies is very important to battle the problem of underage

Continued on Page 6

Underage Enforcement

Continued from Page 5

possession, consumption and furnishing. ABC had approximately 28 agents in the 1980s, but the number has been reduced to the current level of 18 agents to cover the entire state. The assistance of local law enforcement agencies also assists the Division in attempting to maintain a level playing field for all licensees.

As the ABC continues to lead the statewide enforcement of underage drinking laws, it will also continue the consistent, fair enforcement of all liquor laws, while working with all licensees to achieve the highest level of voluntary compliance possible.

Continued from page 4

...LEGAL DOCKET

licensed premises are occupied, regardless of whether it is during legal operating hours. What constitutes "immediate entry" for purposes of complying with this requirement may depend on several factors. For instance, if the licensed premises are particularly large and the individual having the key to unlock the door is a substantial distance from the door to which the agent or officer seeks entry, it may be reasonable to allow a minute or two for the individual inside to reach the door and unlock it. If, on the other hand, the licensed premises are relatively small, or the individual inside is close to the door to which the agent or officer seeks entry, much less time would be considered reasonable. Increasingly, LAA receives reports of this violation indicating the agent or officer observed people inside the premises, drinking alcoholic beverages after the legal closing hour. Upon announcing their presence or knocking to gain entry, the agents and officers frequently report there is a flurry of activity inside, and they see or hear bottles and glasses being cleared and disposed of, but no one comes to the door to allow entry for several minutes. When this kind of activity is reported, the ABC considers it an aggravating circumstance. Licensees would be much better off allowing immediate entry to agents and officers, even if evidence of after-hours possession or consumption on the premises remains. Although after-hours operation is viewed as a serious offense, it tends not to carry the same gravity as denial of entry, and the penalties imposed generally are less severe as well.

Remember, an ounce of prevention is worth a pound of cure!! The ABC encourages licensees to take measures in advance to ensure they don't commit these or other potential administrative violations. If you have any questions regarding these or other violations, please direct them to ABC in writing.

Pub-1800
Rev. (1/02)

RETURN SERVICE REQUESTED
Kansas Department of Revenue
Alcoholic Beverage Control Division
915 SW Harrison, Room 214
Topeka, Kansas 66625-3512

9-9

Number of Liquor Licensees

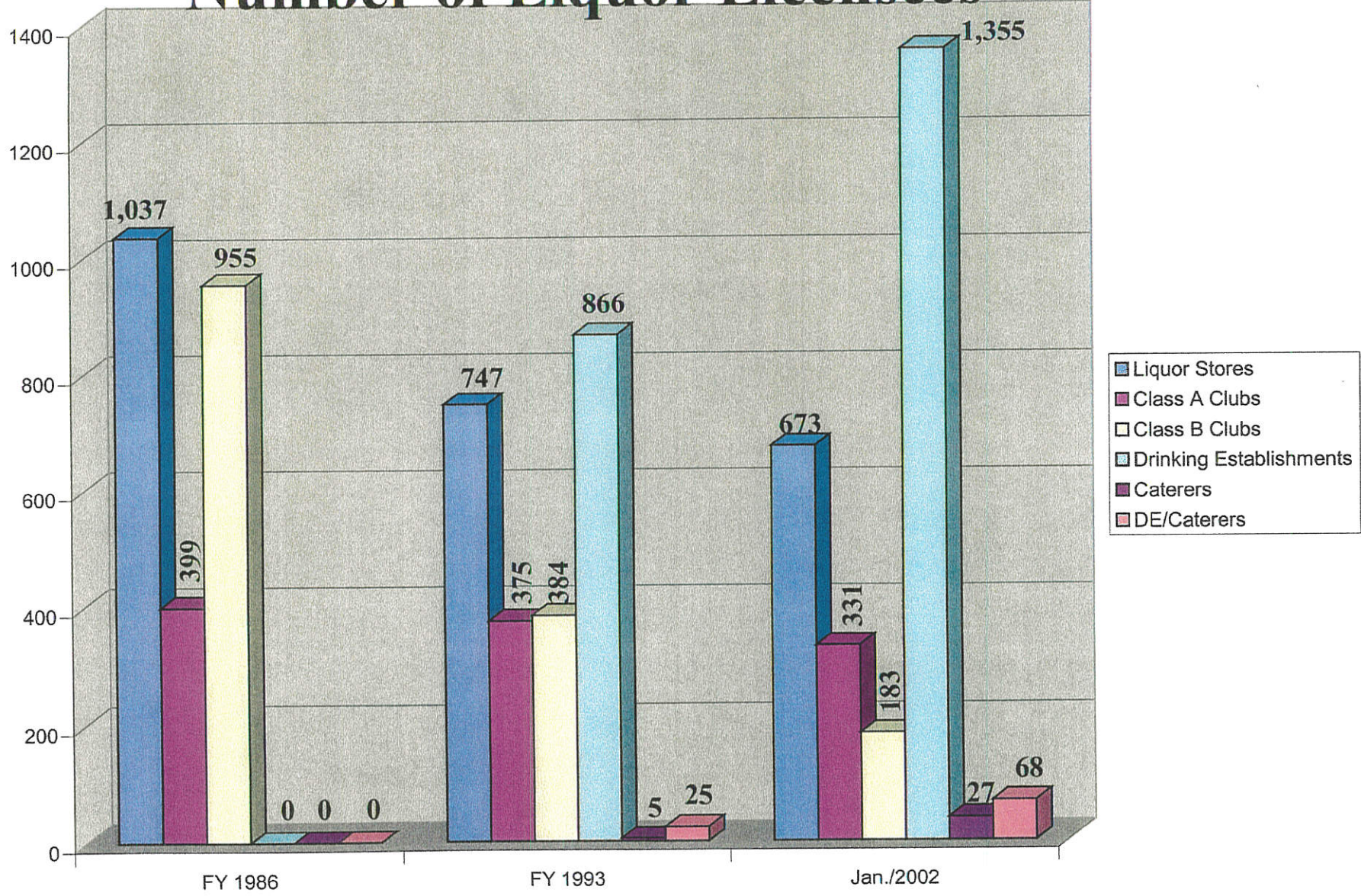


TABLE 8

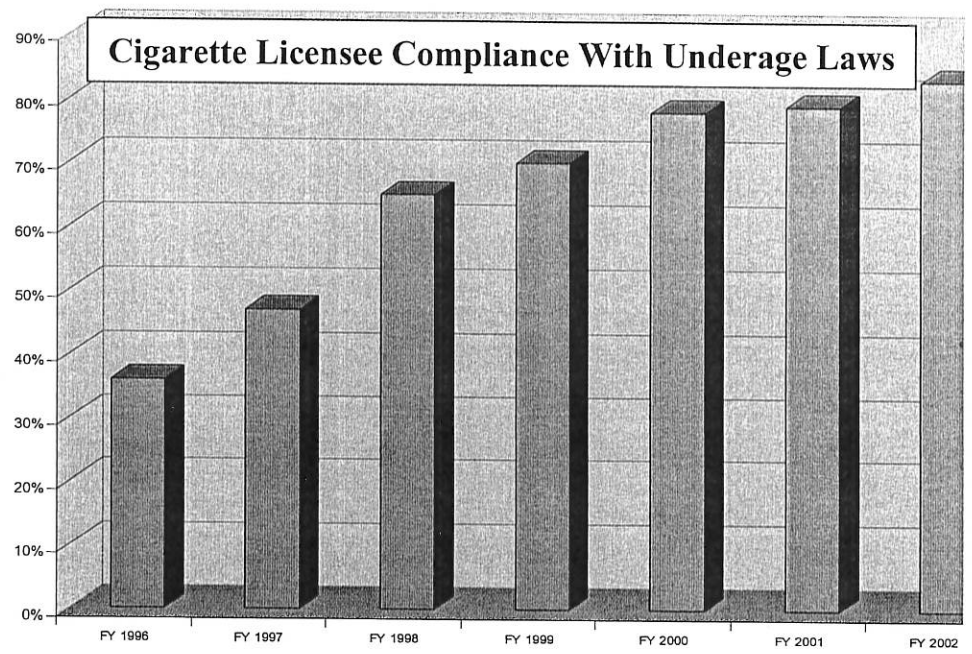
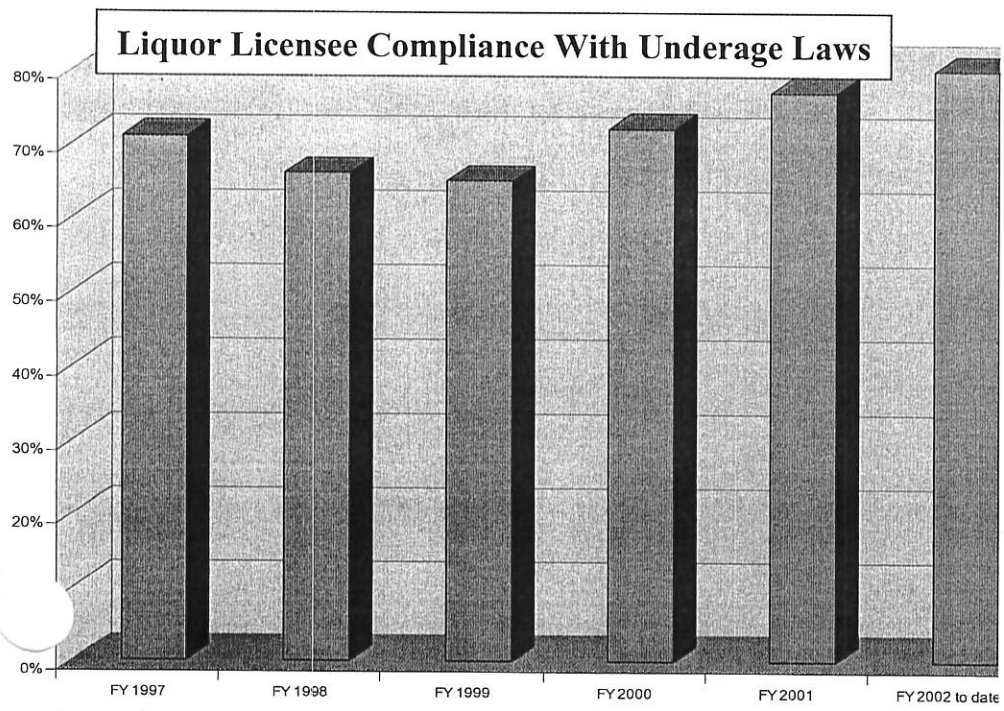
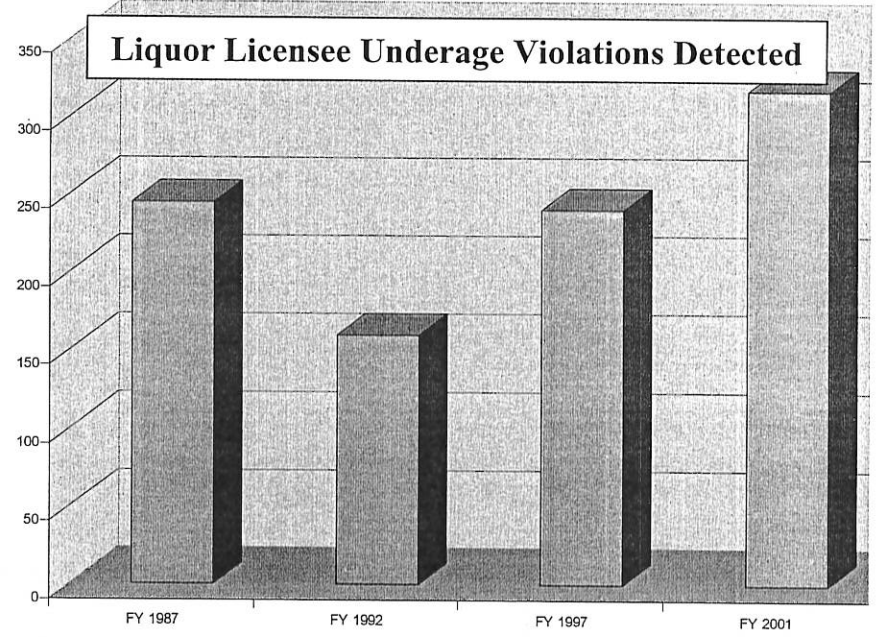
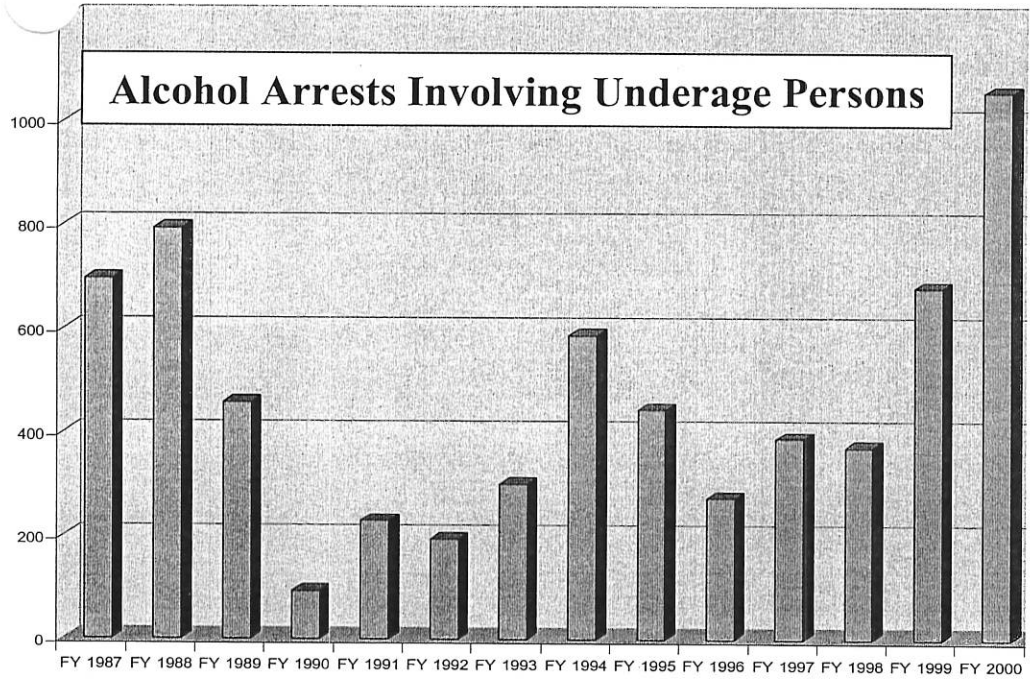
HOW ARE STATE LIQUOR TAXES AND FEES DISTRIBUTED?

6-8

Tax/Fee	SGF	Community Alcoholism & Intoxication Programs Fund ¹	Alcoholism Treatment Fund ²	Local Alcoholic Liquor Fund ³	Local Unit General Fund
TAXES					
Gallonage Tax (Beer, CMB, Wine)	100%	--	--	--	--
FY 2001 Receipts	\$10,623,726				
Gallonage Tax (Spirits)	90%	10%	--	--	--
FY 2001 Receipts	\$ 6,354,809	\$706,090			
Enforcement Tax (in lieu of sales tax on retail liquor sales)	100%	--	--	--	--
FY 2001 Receipts	\$35,350,911				
Drink Tax (in lieu of sales tax on sales by clubs, drinking establishments, and caterers)	25%	5%	--	70%	--
FY 2001 Receipts	\$6,247,948	\$1,249,590		\$17,494,253	
Retailer Sales Tax (on CMB sales by retailers who are not also liquor licensees)	100% (state rate 4.9%)	--	--	--	--
City and Township License Tax on Liquor Retailers (required by state law)	--	--	--	--	100% of local option sales tax \$69,000 to \$207,000
FEES					
Club, Drinking Establishment, and Caterer Annual License Fees	50%	--	50%	--	--
FY 2001 Receipts	\$954,413		\$954,413		
Club, Drinking Establishment, and Caterer Application Fees; Temporary Permit Fee; Manufacturer, Wholesaler, Retailer, etc. Registration and License Fees	100%	--	--	--	--
FY 2001 Receipts	\$331,494				
CMB Retailer Application Fee (state stamp)	100%	--	--	--	--
FY 2001 Receipts	\$89,400				
Other Fees and Fines	\$422,460	--	--	--	--

- 1) Revenue to the fund is expended by the Secretary of SRS to provide financial assistance to community-based alcoholism and intoxication treatment programs. Funds may be used to: match federal Title XX funds to purchase treatment services; provide start-up or expansion grants for halfway houses or rehabilitation centers; purchase services from treatment facilities for low-income persons who are not eligible for Medicare or Medicaid assistance; and assist with development programs for prevention, education, early identification, and facility assistance and review team. Alcohol treatment programs at Topeka, Osawatomie, and Larned State Hospitals and programs at Rainbow Mental Health Facility may not receive support from this fund.
- 2) Revenue to the fund is to be used by the Secretary of SRS to implement the Secretary's responsibilities to establish, coordinate, and fund programs for prevention and treatment of alcohol abuse.
- 3) Each city with a population of over 6,000 and each county receives 70 percent of the amount of drink tax collected in that jurisdiction. In addition counties receive 23 1/3 percent of the amount collected in cities with populations under 6,000. Counties and the larger cities must divide their receipts equally between their general funds, parks and recreation funds, and special alcohol and drug programs funds. Small cities must divide their receipts equally between their general funds and parks and recreation funds. Counties receiving receipts attributable to taxes collected in smaller cities must credit those moneys to the county's special alcohol and drug programs fund. The statute (KSA 79-41a04) contains special provisions for use of drink tax revenue received by Butler County and cities in that county. Half of the revenue distributed to cities in Butler County and one-third of revenue to the county may be used for establishment and operation of a domestic violence program operated by a private nonprofit organization.

Source: Kansas Department of Revenue, Office of Policy and Research.



NEWS RELEASE
December 18, 2001
Contact: Gayle Martin
Director of Communications
(785) 291-3506

ABC Partners with KDOT for Additional Underage Liquor Enforcement

(Topeka, KS) - More Kansas communities will receive specialized assistance to reduce underage drinking thanks to a new Kansas Alcoholic Beverage Control (ABC) program funded through an Office of Juvenile Justice and Delinquency Prevention federal grant. The grant program is designed to increase enforcement of underage drinking laws.

ABC, a division of the Kansas Department of Revenue, and the Kansas Department of Transportation (KDOT) Bureau of Traffic Safety have entered into a two-year contract to use federal funds to create a "Task Force to Combat Underage Drinking" within ABC. The funding will allow the new task force to plan and implement additional enforcement efforts to combat and reduce underage drinking of alcoholic beverages throughout Kansas. The new ABC efforts are in addition to routine underage enforcement activities.

Funding will underwrite equipment, mileage and travel for ABC agents to conduct enforcement activities in locations and at events that traditionally attract large numbers of underage drinkers.

ABC Director Robert Longino is pleased with the contract between ABC and KDOT.

"We look forward to our partnership with KDOT," Longino said. "The additional funds will allow us to have a greater impact on the issue of underage possession and consumption."

In addition to increased enforcement, the ABC will develop presentations, training and handbooks to assist local law enforcement agencies in their efforts to combat underage drinking.

"Our goal in this increased collaboration with local law enforcement agencies is to provide ways to enhance the local efforts at little or no additional local expense," Longino said.

ABC agents will share investigative tips on a variety of underage enforcement techniques with local law enforcement agencies as well as providing additional suggestions tailored to each local community.

"This partnership and contract allow us to expand the number of communities in Kansas taking action to combat underage drinking," Longino said.

NEWS RELEASE

January 23, 2001

Contact: Scott Holeman

Public Information Officer

(785) 291-3506

**71 CITATIONS MADE IN CONNECTION WITH UNDERAGE DRINKING
Alcoholic Beverage Control Agents check Manhattan and Lawrence**

Alcoholic Beverage Control agents made a total of 71 citations in connection with underage drinking during two recent weekend checks in Manhattan and Lawrence. The focus of the operation was two-fold: to enforce underage drinking laws and to ensure liquor licensees were maintaining compliance with state liquor laws. In both cities, agents made bar checks in licensed drinking establishments and worked with retail liquor stores to conduct the "Cops-in-Shops" program to arrest minors attempting to purchase alcohol. "ABC maintains a constant presence in Manhattan and Lawrence and will routinely conduct large-scale operations supporting local efforts to curb underage drinking and to ensure liquor licensees and the general public are adhering to the state's liquor laws," said Robert Longino, ABC Administrator.

Manhattan activity report:

On January 12 and 13, 2001, agents issued a total of 35 citations for violations of Kansas liquor laws. Eight (8) people were cited for furnishing alcohol to minors, one (1) person was cited for transporting an open container and 26 underage people were cited for being in possession of alcoholic liquor. The ages of people cited ranged from 18 to 24 years of age.

Lawrence activity report:

On January 19 and 20, 2001, agents issued a total of 36 citations for violations of Kansas liquor laws. Six (6) people were cited for furnishing alcohol to minors, two (2) people were cited for use of false identification and 28 underage people were cited for being in possession of alcoholic liquor. The ages of people cited ranged from 17 to 24 years of age. Additionally, 5 licensees were issued administrative citations for various liquor law violations.

NEWS RELEASE

May 1, 2001

Contact: Scott Holeman
Public Information Officer
(785) 291-3506

ABC TO MONITOR PROM & GRADUATION SEASON Agents Will Focus on Preventing Underage Drinking

It's a tradition for high school students to celebrate their accomplishments during prom and graduation. Unfortunately, another tradition often accompanies these activities-illegal consumption of alcohol by underage drinkers. To counter these problems, the Kansas Alcoholic Beverage Control Division is focusing efforts during this season to promote safe, alcohol-free events and parties.

"This is an exciting time of year for many high school students; however, it's also a time when some teenagers not only break the law, but also jeopardize their safety and the safety of others," said Robert Longino, ABC Administrator. "Our agents will be working with police and sheriff's deputies throughout the state in an attempt to promote safety and to prevent illegal alcohol sales and consumption."

As part of the statewide initiative during the next few weeks, ABC agents will visit high schools and other locations where large numbers of students will be gathered. The Cops and Shops program-where undercover agents work with liquor store clerks-will also be expanded in an attempt to prevent minors from purchasing alcohol.

Anyone with knowledge of specific alcohol violations or concerns is encouraged to call the Division of Alcoholic Beverage Control at 785/296-7015.

NEWS RELEASE
June 29, 2001
Contact: Scott Holeman
Public Information Officer
(785) 291-3506

ABC TOUTS STATEWIDE TOUR AIMED AT ALCOHOL EDUCATION 30 Citations Issued in Connection with Underage Drinking

The Division of Alcoholic Beverage Control recently completed its first annual awareness and enforcement campaign dedicated to reducing underage drinking activities associated with the high school prom and graduation season.

These events and other activities associated with the culmination of the school year often result in an increase in underage drinking. This year, ABC agents made education and awareness visits to more than 30 high schools throughout the state. The purpose of these visits was to raise awareness of laws pertaining to alcoholic beverage sales and restricting illegal access. Agents coordinated these visits with school administrators and local law enforcement agencies. They also visited liquor licensees to review procedures for preventing sales to minors.

During the two-month statewide campaign, 27 minors were cited for possessing alcoholic liquor or cereal malt beverages. Three adults were also cited for furnishing intoxicants to underage persons.

"Responding to underage drinking requires a cooperative effort from the community, the alcoholic beverage industry and law enforcement," said Bob Longino, ABC Director. "This educational campaign was successful and we are already working to expand this important program next year."

NEWS RELEASE
August 31, 2001
Contact: Gayle Martin
Public Information Officer
(785) 291-3506

State Alcoholic Beverage Control agents issue citations in Lawrence and Manhattan

(Topeka, KS) - Kansas Department of Revenue Alcoholic Beverage Control (ABC) agents issued 133 citations on two weekends in Manhattan and Lawrence earlier this month.

Agents issued 67 citations in Lawrence on August 25 and 26, one more than issued the previous weekend in Manhattan. A majority of the Lawrence citations were for minors in possession of alcohol at parties or on the streets.

The focus of both operations was to enforce underage drinking laws.

"ABC has stepped up its efforts toward underage drinking," said Robert Longino, ABC director. "The numbers in these two communities reflect only a small percentage of underage persons consuming alcohol products."

A majority of the Lawrence violations occurred at parties or on the streets of Lawrence.

"A Lawrence parent who came to pick up her minor child told one of our agents she appreciated our efforts to keep kids from getting their hands on alcohol," Longino said. "We probably would have issued more citations in Lawrence but the August 25 evening rain forced a lot of parties to break up."

ABC agents are law enforcement officers with full arrest powers and statewide authority.

Manhattan citations (August 18 and 19)

58 minor in possession including four juveniles; 8 furnishing alcohol to minors.

Lawrence citations (August 25 and 26)

58 minor in possession of alcohol including three juveniles; 5 furnishing alcohol to minors; 2 transporting open containers; and 2 driving on a suspended driver's license.

NEWS RELEASE
December 13, 2001
Contact: Gayle Martin
Director of Communications
(785) 291-3506

State Alcoholic Beverage Control Division Announces Settlement Agreement with Two Lawrence Drinking Establishments

(Topeka, KS) - Two downtown Lawrence businesses have relinquished their liquor licenses and the businesses have been sold.

The establishments, Jersey's, 1105 Massachusetts Street, and Fatso's, 1016 Massachusetts, relinquished their liquor licenses December 11, 2001 as part of a settlement reached with the Alcoholic Beverage Control Division of the Kansas Department of Revenue. Both businesses were owned by the same three individuals, but were operated as separate organizations. Both establishments had numerous pending liquor violations. A majority of the violations were for permitting minors to possess or consume alcoholic liquor on the licensed premises.

As part of the settlement agreement, the three individuals relinquished both licenses, paid a \$6500 fine and agreed not to seek another liquor license in Kansas during the next three years, said ABC Director Robert Longino.

"Fatso's" will continue to operate under new ownership by Brothers of Lawrence, Inc. The same group also will operate the other establishment under the name "It's Brothers Bar and Grill."

NEWS RELEASE
December 19, 2001
Contact: Gayle Martin
Director of Communications
(785) 291-3506

ABC revokes Emporia license, fines Salina business

(Topeka, KS) - The Alcoholic Beverage Control (ABC) division of the Kansas Department of Revenue has revoked the liquor license of an Emporia establishment and has fined a similar business in Salina.

The revocation involved Club 707, 312 Exchange, Emporia, owned by an individual. The licensee was prosecuted on two counts of permitting minors to possess or consume alcoholic liquor on the premises and three counts of unregistered employees. The ABC, in a July 24 order, directed the licensee to pay a fine in the amount of \$1,800 and to serve five weekend days of suspension. The order indicated that failure to timely pay the fine or to serve the suspension days would result in automatic revocation of the license. The licensee failed to appeal the order or comply.

The Groove, 112 N. Santa Fe, Salina, has entered into a settlement with the ABC to resolve several administrative charges. According to the settlement, The Groove, owned by Chevy's, Inc., pleaded no contest to two counts of denying immediate entry by a law enforcement officer and a single count of permitting a minor to possess or consume alcoholic liquor on the licensed premises. The business agreed to pay a \$10,000 fine and serve a three-day suspension.

STATE OF KANSAS

BILL GRAVES, Governor
State Capitol, 2nd Floor
Topeka, Kansas 66612-1590



(785) 296-3232
1-800-748-4408
FAX: (785) 296-7973

OFFICE OF THE GOVERNOR

MEMORANDUM

TO: Chairman Nancey Harrington
Members of the Senate Federal and State Affairs Committee

FROM: Trista Beadles, Assistant Legal Counsel

DATE: January 29, 2002

SUBJECT: Senate Bill 406

Senate Bill 406 was introduced at the request of the Office of the Governor in order to provide flexibility in the selection of leadership for the Kansas State Gaming Agency and the Kansas Racing and Gaming Commission as well as providing options in the operational arrangement of those agencies.

There is currently a statutory requirement that the State Gaming Agency have an executive director who devotes full time to the duties of that office. The same statutory requirement exists for the executive director of the Racing and Gaming Commission. At the time these statutes were adopted, gaming was a new enterprise in the state and it was unclear how these positions and agencies would interact. In recent years it has become clear that under the present circumstances with gaming at its current level, one individual can assume the leadership role at both agencies. Tracy Diel, Executive Director of the State Gaming Agency, is present to provide you with any information you may need on the consolidation of these positions. Senate Bill 406 provides the Governor with the option to appoint a full time executive director to each agency if an increase in gaming or if other events should require such an appointment.

Senate Bill 406 would also allow the executive director of the State Gaming Agency to appoint a deputy director. The deputy director would be subject to background investigation and be in the unclassified service.

I would be pleased to respond to any questions you may have.

SnFedst
Attach #7
01/29/02