

Approved: April 1, 2010
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:35 a.m. on March 17, 2010, in Room 152-S of the Capitol.

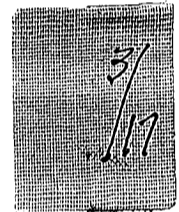
All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Marvin Stottlemire, Chairman of Legislation and Issues Committee, Kansas Public Health Association
Shannon Jones, (SILCK) Statewide Independent Living Council of Kansas
Craig Gunther, Kansas State Nurses Association
Carolyn Gaughan, [pronounced Gone] Executive Director, Kansas Academy of Family Physicians Caring for Kansas
Kathy Cook, Executive Director, Kansas Families for Education
Cathy Harding, Executive Director, Kansas Association for the Medically Underserved
Dr. Jason Eberhart-Phillips, MD, MPH, State Health Officer and Director, Division of Health, Kansas Department of Health and Environment
Tanya Dorf Brunner, Executive Director, Oral Health Kansas
Kelly D. Brownell, Director AND Roberta R. Friedman, ScM Director of Public Policy for the Rudd Center for Food Policy and Obesity, Yale University
Julie Greenstein, Center for Science in Public Interest
Charlotte Buchanon, Dietitian, Kansas Dietetic Association, Andover Kansas
Dick Stoffer, Registered Lobbyist, Hy-Vee, Inc
Ronald R. Hein on behalf of Kansas Beverage Association and for Kansas Restaurant & Hospitality Assn.
Michael J. Beal, Vice President of Balls Food Stores, in Kansas City, Kansas
Dennis White, an owner of Bash Riprocks, a restaurant and bar in Olathe, Kansas
Derrick Sontag, Americans for Prosperity – Kansas
John Barnes, President, Kansas Beverage Association
Bob Carmichael, Managing Partner, Topeka Hospitality, LC
Linda Giles, Secretary-Treasurer, Teamsters Local 41, Kansas City
Mike Meurer, CFO for Treat America
Alison Leiszler, Leiszler Oil
Susan Colman, Oil Marketers
Kent Eckels, Vice President of Government Affairs, The Kansas Chamber
Kevin W. Jeffries, President and CEO, Leawood Chamber of Commerce
Dr. John Laurie, Assistant Professor at Baker University in Overland Park, Kansas
Kevin Fisk, Dir. State Affairs, Grocery Manufacturers Assn,
Scott Black, Regional Manager for Hooters of America, Inc.



Others attending:

See attached list.

Chairman welcomed the attendees and explained this bill will be amended to be .4% tax on sugar in beverages, not the 1% that is in the bill at this time. He also noted changes suggested in other bills heard by the committee this week. He then opened the hearings on **SB 567 - Imposing tax upon sweetened beverages or concentrate**. Chairman Donovan explained there were many people wanting to testify on the bill, so each speaker would be limited to two minutes. The first proponent was Marvin Stottlemire, Chairman of Legislation and Issues Committee, Kansas Public Health Association. (Attachment 1) Craig Gunther, Kansas State Nurses Association (Attachment 2). Carolyn Gaughan, Executive Director, Kansas Academy of Family Physicians Caring for Kansas explained her own problems dealing with obesity and the help that a higher price

CONTINUATION SHEET

Minutes of the Senate Assessment and Taxation Committee at 10:30 a.m. on March 17, 2010, in Room 152-S of the Capitol.

on sugared drinks could give to others trying to loose weight (Attachment 3). Kathy Cook, Executive Director, Kansas Families for Education explained the need for additional revenue and her organization's support of all the tax increases being introduced in order to continue to fund organizations that help children, the disabled, and elderly (Attachment 4). Dr. Jason Eberhart-Phillips, MD, MPH, State Health Officer and Director, Division of Health, Kansas Department of Health and Environment spoke about sugar sweetened beverages on the health of our population (Attachment 5). The next proponent was Tanya Dorf Brunner, Executive Director, Oral Health Kansas who urged support of this bill (Attachment 6). Written testimony in support of this bill was provided by the following proponents: Shannon Jones, (SILCK) Statewide Independent Living Council of Kansas (Attachment 7); Cathy Harding, Executive Director, Kansas Association for the Medically Underserved (Attachment 8); Kelly D. Brownell, Director **AND** Roberta R. Friedman, ScM Director of Public Policy for the Rudd Center for Food Policy and Obesity, Yale University (Attachment 9); and Julie Greenstein, Center for Science in Public Interest (Attachment 10). Charlotte Buchanon, Dietitian, Kansas Dietetic Association, Andover Kansas sent the committee neutral testimony explaining the harm that can be done by consuming sugared beverages (Attachment 11).

Next, the committee heard testimony from those who were in opposition to this bill. Ronald R. Hein spoke on behalf of both the Kansas Beverage Association and the Kansas Restaurant & Hospitality Association. (Attachments 12 and 13). Michael J. Beal, Vice President of Balls Food Stores, in Kansas City, Kansas gave reasons the stores he is representing are against this bill (Attachment 14). Dennis White, an owner of Bash Riprocks, a restaurant and bar in Olathe, Kansas explained how adoption of this bill would harm his business (Attachment 15). John Barnes, President, Kansas Beverage Association said the association opposes this bill because it is targeted and discriminatory as well as being ineffective in treating obesity (Attachment 16). Bob Carmichael, John Barnes, President, Kansas Beverage Association presented their reasons to oppose this bill (Attachment 17). Linda Giles, Secretary-Treasurer, Teamsters Local 41, Kansas City was present to represent Teamsters employed by Coca-Cola and Pepsi-Cola who are opposed to the unfair taxes the Legislature is contemplating. This bill would cause job losses as well as increase the companies' taxes (Attachment 18). Mike Meurer, CFO for Treat America also opposes this bill (Attachment 19). Alison Leiszler, Leiszler Oil, explained her opposition to the bill (Attachment 20). Susie Coleman representing Oil Marketers expressed their opposition to this bill (Attachment 21). Dr. John Laurie, Assistant Professor at Baker University in Overland Park, Kansas spoke as a "character witness" for Coca-Cola and Pepsi products via their regular interest in giving back to the schools and communities they serve (Attachment 22). Written testimony in opposition to this bill was received from: Dick Stoffer, Registered Lobbyist, Hy-Vee, Inc (Attachment 23); Derrick Sontag, Americans for Prosperity – Kansas (Attachment 24); Kent Eckels, Vice President of Government Affairs, The Kansas Chamber (Attachment 25); Kevin W. Jeffries, President and CEO, Leawood Chamber of Commerce (Attachment 26); Kevin Fisk, Dir. State Affairs, Grocery Manufacturers Association (Attachment 27); and Scott Black, Regional Manager for Hooters of America, Inc. (Attachment 28).

Chairman Donovan closed the hearing on **SB 567**. The next meeting is scheduled for March 18, 2010.

The meeting was adjourned at 11:30 a.m.

SENATE

Assessment & Taxation Committee

GUEST LIST

DATE: MARCH 17, 2010

NAME	REPRESENTING
Tanya Doff Brunner	Oral Health Kansas
MJ Hellebust	TFKC
Marvin Stottlemire	KPHA
Tom PALACE	PMCA of KS
Bob Carmichael	KRHA
DENNIS WHEAT	BASH. REPRODICS
LINDA GILES	Teamsters Local 41
MIKE DERNHAM	PEPSI
Patrick Vogelberg	Kearney and Assoc.
Alison Leiszler	Leiszler Oil
Esisie Coleman	Carter Energy PMCA of KS
John LAURIE	Pepsi
Milco Beal	Balls Food Stores
Ron Hein	Ks Beverage Association
MANDRA BESS	Coca-Cola Enterprises
Keith Tode	Coca-Cola Lenexa
Paul Leitz	Berkshire Community
Kod Craft	Coca-Cola
BRIAN BALORY	COCA-COLA

SENATE

Assessment & Taxation Committee

GUEST LIST

DATE: 3-17-10

NAME	REPRESENTING
Keith Lretzke	Coca-Cola
Charles Coley	Coca-Cola
Broad Pelkey	Coca-Cola
JEFF ANGOLD	Dr Pepper-7UP-SNAPPLE
EVAN HAAKE	COCA-COLA
Nicki Kelley	Pepsi Beverages Company
Sarah Sexton-Bowser	KS Grain & Feed Association
JOHN THEISMAN	PEPSICO
Kyle Hawser	Pepsi
Robert Simon	Pepsi
Parall Slater	Coca-Cola
MIKE PATTON	Coca-Cola
MATT GRISZOWKA	PBC
Jason Turner	PBC
Willie Rickard	PBC
KEVIN HARRIS	COCA-COLA
Jody Gregory	Coca-Cola
Stacy Rogers	Coca-Cola
Jamie May	Coca-Cola

SENATE
Assessment & Taxation Committee
GUEST LIST

DATE: 3/11/2010

NAME	REPRESENTING
JOE NATHAN JOHNSON	COCA COLA
Paula Clayton	KDHE
Anne Nugent	KHI
Tim Wilson	Coca-Cola
Tommy Augusto	Coca-Cola
Cathy Vanleave	Coca-Cola
Kevin Morris	Coca-Cola Bottling
Janelle Tummel	COCA-COLA BOTTLING KS
Tracy Howell	Pepsi Bott. Co.
Greg Mellies	Pepsi Bott. Co.
Russell Gridley	PEPSI
William Bradford	DRINK-O-MAT Co. Inc.
Tom Briggs	Mid-America Automatic Vending Assoc
Mike Meurer	Treat America Food Services/MAMA
RANDY DOWNING	DR PEPPER
JEFF LASCHOW	COCA-COLA
Scott Wilson	COCA-COLA
Karla Cole	Coca-Cola

2010 KP
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Committee

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Staff:
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Schwartz
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Kansas Public Health Association, Inc.
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March 9, 2010

Testimony in Support of SB 567 Before the Senate Assessment and Taxation Committee

Dear Chairman Donovan and Members of the Committee:

Thank you for the opportunity to testify in support of SB 567. My name is Marvin Stottlemire, and I am the Chairman of the Legislation and Issues Committee of the Kansas Public Health Association. The Kansas Public Health Association is the oldest and *largest organization of public health professionals* and health advocates in the state. Today we represent more than **600 members** from over 50 occupations and 145 organizations all across the state. Our members include: researchers, academics, medical and dental care providers, health educators and advocates, administrators, teachers, private or public organizations and foundations in a unique, multidisciplinary environment of professional exchange, study, and action, in public health practice and the public health policy process.

There are two reasons why this bill is good for Kansas; it will raise needed revenue, and it will promote good health. Because I'm here representing the Kansas Public Health Association I'll focus on the latter.

An article in the New England Journal of Medicine¹ noted: "[T]he intake of sugared beverages is associated with increased body weight, poor nutrition, and displacement of more healthful beverages; increasing consumption increases risk for obesity and diabetes..."

So from a health perspective it is obvious that policies designed to reduce the intake of sugared beverages are good policies, but will a tax on these beverages reduce intake. The best evidence says "yes." From the same New England Journal of Medicine article I quoted earlier, "A review conducted by Yale University's Rudd Center for Food Policy and obesity suggested that for every 10% increase in price, consumption decreases by 7.8%"

As I said at the outset, there are two main reasons to support this legislation – revenue generation and health promotion. The two are interrelated. Not only will this tax produce revenue directly, but by helping reduce negative health outcomes from the obesity epidemic, it will save millions in future Medicare and Medicaid costs.

I won't take more of your time this morning, but with your permission I am distributing a Policy Brief from the Yale's Rudd Center.

Thank you for your attention, I'll be happy to answer any questions.

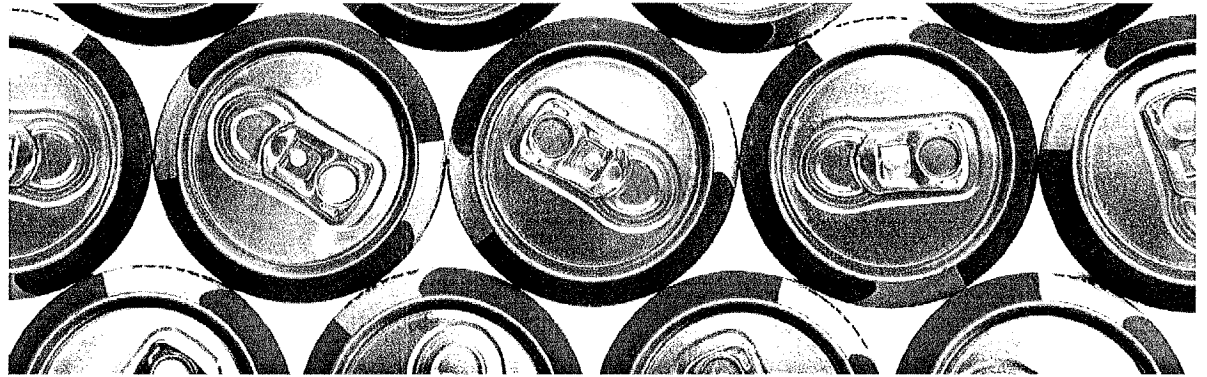
¹ Brownwell, KD, T. R. Frieden, "Ounces of Prevention – The Public Policy Case for Taxes on Sugared Beverages," *New England Journal of Medicine*, April 30, 2009

Sn. Assmnt & Tax
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Attachment # 1

FALL 2009

RUDD REPORT



SOFT DRINK TAXES

A Policy Brief

309 Edwards Street, New Haven, CT 06520-8369 ■ 203 432 6700 ■ fax 203 432 9674 ■ rudd.center@yale.edu



RUDD CENTER
FOR FOOD POLICY
& OBESITY
Yale University

SOFT DRINK TAXES

Why Consider Them?

Sugar-sweetened beverages with little or no nutrition are staples of today's American diet. These beverages are inexpensive, in abundant supply, and appeal to our taste for sugar. They are heavily marketed, especially to children, often using celebrities, sports stars, and cartoon characters. More than for any category of foods, rigorous scientific studies have shown that consumption of soft drinks is associated with poor diet, increasing rates of obesity, and risk for diabetes. These links are strong for children.

Chronic diseases related to poor diet cost the country billions of health care dollars each year and are complex problems which must be addressed with multi-faceted strategies. Taxing certain classes of products to reduce consumption has been proposed as one means of improving the nation's nutrition, raising revenue for health programs, and recovering costs caused by consumption of calorie-dense, nutrient-poor foods.

Policy makers across the country who are concerned about nutrition are consider-

ing the implementation of soft drink taxes to complement other public health initiatives.

Thirty-three states now have sales taxes on soft drinks, but the taxes are too small to affect consumption, in many cases consumers do not know they exist, and revenues are not used for nutrition programs.¹

What Would Taxes Accomplish?

Taxes on soft drinks can be conceived with two goals: raising revenue and changing consumption. They can:

- raise considerable funds to be earmarked for nutrition initiatives such as subsidies of healthy foods or programs in schools;
- raise the relative price of unhealthy beverages thereby discouraging their consumption;
- decrease sales of those beverages, and influence demand for healthier alternatives, which may encourage beverage manufacturers to reformulate their products;

- convey the message that government and policy makers are concerned about nutrition and the public's health.

Issues Concerning Soft Drink Taxes and Results of Scientific Research

ISSUE: CONSUMPTION AND HEALTH EFFECTS

A substantial increase has occurred in the consumption of soft drinks since the 1970s, now averaging 50 gallons per person per year.

Consumption

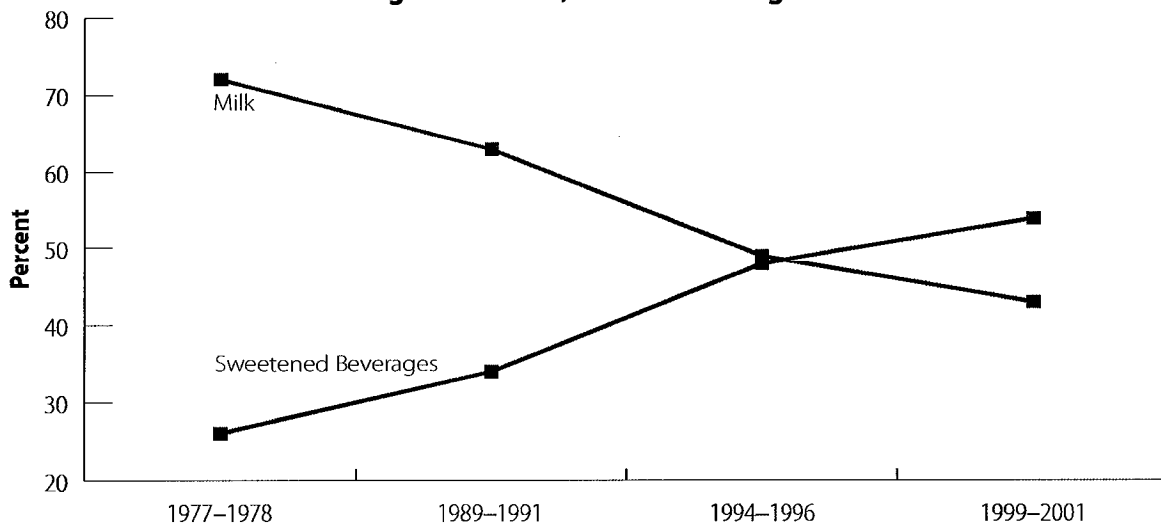
- A 2004 study found that soft drinks are the single largest contributor of calorie intake in the United States.⁴
- U.S. per capita consumption of calories from sugar-sweetened beverages doubled between 1977-2002 across all age groups.⁵; children and adults consume about 172 and 175 calories daily, respectively, per capita from these beverages.⁶ Further, traditional carbonated drinks are losing market share, while beverages like sports drinks, energy drinks, and sweetened waters and teas are showing significant growth in the marketplace.⁷
- The percentage of beverage calories from sweetened beverages consumed by 2-18 year olds has increased, while the percentage from milk has decreased. In the mid-1990s the intake of sugared beverages began surpassing that of milk.⁸

REVENUE POTENTIAL

- A national tax of 1 cent per ounce on sugar-sweetened beverages would generate at least \$14.9 billion in the first year alone.² Placing this in context, this is thirty times the amount the nation's largest funder of work on childhood obesity is spending in five years.
- A proposed sales tax of 18% on soft drinks in New York State was projected to bring in \$400 million in the first year and close to \$540 million thereafter.³



Percentage of Beverage Calories from Sweetened Beverages and Milk, for Children Ages 2-18



- Sugar-sweetened beverage consumption is highest among groups that are at greatest risk of obesity and type 2 diabetes.⁹
- Research suggests that people compensate less well for calories that come in beverages compared to calories in solid food; hence the large increase in calories from beverages is a matter of great concern.¹⁰

Effects on Health

- For children, each extra can or glass of sugar-sweetened beverage consumed per day increases their chance of becoming obese by 60%.¹¹
- A 2009 California study found that adults who drink one or more sodas per day are 27% more likely to be overweight or obese than those who do not drink soda.¹²
- A 2009 study found a reduction of sugar-sweetened beverage intake was significantly associated with weight change.¹³
- Women who regularly consume sugar-sweetened beverages have a higher risk of coronary heart disease.¹⁴

- Systematic reviews of evidence conclude that greater consumption of sugar-sweetened beverages is associated with increased calorie intake, weight gain, diabetes, and obesity.¹⁵ Papers not showing this effect are generally funded by the beverage or sugar industries.

ISSUE: PRICE

Price changes affect purchases and consumption.

Effect on Purchase and Consumption

- Based on the best estimates to date of the responsiveness of demand for soft drinks to changes in price,¹⁶ a 10% tax could result in about an 8% reduction in consumption. The effects could be higher for heavy users of soft drinks.¹⁷
- Based on November 2008 price increase and volume sales information on Coca Cola and Pepsi sales in the U.S.,¹⁸ demand for soda is "elastic" (-1.15) meaning that a 10% tax would reduce consumption by 11.5%.

- Price interventions can be effective in curtailing at-home soft drink consumption, and promoting milk consumption.¹⁹
- Experiments show that decreasing the cost of healthy foods relative to that of less-healthy foods is effective in promoting the purchase of healthy items.²⁰

ISSUE: TAXING

Taxing alcohol and cigarettes has proven to be highly successful in reducing consumption. Major health benefits have been realized from tobacco taxes.

- Numerous economic studies conclude that every 10% increase in the real price of cigarettes reduces consumption by:
 - 3 to 5% overall;
 - 3.5% among young adult smokers;
 - 6 to 7% among children.²¹
- Major health benefits have been realized from tobacco taxes.



- A 2009 systematic review of 112 studies of alcohol taxes on price effects establishes that increasing prices of alcohol is an effective means to reduce drinking.²²

ISSUE: PUBLIC SUPPORT

Will the public support soft drink taxes?

- Taxes whose revenues are designated to promote the health of key groups (such as children and underserved populations) are most likely to receive public support.²³
- Public support varies significantly depending on how the poll questions are phrased.
 - A December 2008 poll of New Yorkers found modest support (31%) for an "obesity" or "fat" tax.²⁴
 - In contrast, another December 2008 poll found that 52% of New Yorkers supported a "soft drink" tax. That number rose to 72% when respondents were informed that the revenue raised would be earmarked for obesity prevention among children and adults.²⁵
- A 2008 study found that New York State residents would be willing to pay \$690.6 million per year if it meant a 50% reduction in childhood obesity. When applied to the entire U.S., the number increases to \$10.6 billion.²⁶
- Support has increased over time: a 2003 national survey found that 41% percent supported a special tax on "junk food."²⁷

Policy Recommendations

TAX CONSIDERATIONS

- Excise tax (fee per ounce)
 - *Advantages*
 - > consumers see the increased price at the point of purchase;
 - > can be imposed at the bottler, distributor, wholesaler, or importer level, making it easier to collect;
 - > does not change if industry reduces prices;
 - > will include the syrup used in fountain drinks;
 - > generates more stable and predictable revenues;
 - > avoids the problem of encouraging consumers to buy larger containers.
 - *Special note*
 - > Taxes should be indexed to inflation to avoid erosion of the impact as prices rise.
- Sales tax (percentage of product's price).
 - *Advantage*
 - > rises with inflation.
 - *Disadvantages*
 - > may encourage consumers to buy larger containers because the cost per ounce is lower, so the tax per ounce would be lower as well;
 - > retailers, especially small ones without computerized cash registers, may be inconvenienced by having to charge taxes on some beverages and not others. This may motivate them to become spokespersons for opposition or repeal.

In states where sales taxes are lower for groceries than for other goods, soft drinks should be taxed just like other consumer goods and not given a special lower rate reserved for food necessities.²⁸

- Exempting diet beverages from taxes
 - *Advantage*
 - > may encourage consumers to switch to diet or "light" beverages. This may be beneficial in combating weight gain, although there is inconclusive evidence about the role that artificial sweeteners play in obesity prevention²⁹ or overall health.
 - *Disadvantage*
 - > generates less revenue.

PUBLIC HEALTH MESSAGE

- Make the public health message explicit to increase public support for a tax: the purpose is to fund nutrition programs and obesity prevention, to reduce consumption of unhealthy products, and to recoup costs for diet-related diseases now covered by public funds.
- Note that the tax is not just directed at obesity. Poor nutrition affects the health of everyone, overweight or not. In addition, children can develop habits and brand loyalties well in advance of becoming overweight.



USE OF THE REVENUE

- It is important, for reasons of public support and public health, to designate revenue produced by a tax for programs related to health and nutrition, obesity prevention, etc. Programs benefitting underserved populations are especially important.

Such initiatives could include:

- subsidies of fresh fruits and vegetables and other healthy foods:
 - in schools and communities;
 - for food stamp recipients, which can offset concerns that the tax is regressive.
- school initiatives:
 - incentive programs to improve all foods sold on school grounds;
 - funding for schools to meet national physical education time standards;
 - farm-to-school grants;
 - fully subsidize breakfast and lunch for low-income students;
 - safe routes to schools;
- statewide, comprehensive obesity prevention programs;
- improvements to the built environment for increased physical activity;
- incentives to attract supermarkets to low income neighborhoods;
- social marketing campaigns to counteract the marketing strategies used by food industries to advertise soft drinks and snacks to children.

OTHER CONSIDERATIONS

- Define "soft drinks" as any beverage with added sugar or other caloric sweeteners such as high fructose corn syrup, including soda, sports drinks, sweetened teas, vitamin waters, fruit drinks, and energy drinks.
- Create a "disfavored" tax status for soft drinks, making it higher than general food taxes.

OTHER RESOURCES

- The Rudd Center for Food Policy and Obesity. www.yaleruddcenter.org.
- Center for Science in the Public Interest. <http://www.cspinet.org/liquidcandy/index.html>.
- Chaloupka, F.J., Powell, L.M., & Chiqui, J.F. *Sugar-sweetened beverage taxes and public health*. A research brief published by the Robert Wood Johnson Foundation's Health Eating Research and Bridging the Gap Programs, July 2009. www.healthyeatingresearch.org.
- ImpactTEEN: A policy research partnership for healthier youth behavior. *State snack and soda sales tax data, and state soda non-sales tax data*. www.impactteen.org/obesitystatedata.htm.
- Institute of Medicine (IOM). 2009. *Local government actions to prevent childhood obesity*. Washington, DC: The National Academies Press. www.iom.edu.
- The Brookings Institution. *Bending the curve: Effective steps to address long-term health care spending growth*. www.brookings.edu.
- The Urban Institute. *Reducing obesity: Policy strategies from the tobacco wars*. <http://www.urban.org/publications/411926.html>.

The Rudd Center for Food Policy and Obesity at Yale University is directed by **Kelly D. Brownell, PhD**, and seeks to improve the world's diet, prevent obesity, and reduce weight stigma by establishing creative connections between science and public policy.

Tatiana Andreyeva, PhD, is Director of Economic Initiatives at the Rudd Center. Tatiana.andreyeva@yale.edu

Roberta R. Friedman, ScM, Director of Public Policy, prepared this report. Roberta.friedman@yale.edu; (203) 432-4717



ARGUMENTS FOR AND AGAINST SOFT DRINK TAXES



Opponents say:

Soft drink taxes are regressive. They will disproportionately hurt the poor and minorities who spend a larger proportion of their income on food.

Proponents say:

- **Obesity is a regressive disease. That is, it disproportionately affects poor and minority populations.**
 - **Soft drink taxes have the potential to be most beneficial to low income people, who:**
 - may currently consume more soft drinks;
 - may be more sensitive to higher prices and therefore stand to benefit most from reducing consumption.
- This is especially true if the revenues are used for programs that will benefit the poor.
- While everyone must eat, sugared beverages are not a necessary part of the diet and generally deliver many calories with little or no nutrition.
 - A no-cost alternative is readily available—water.
 - It is generally agreed that while it is good public policy for the tax system as a whole to be progressive, it would not be good policy to expect that every single sales tax should be progressive.³⁰

The government should stay out of private behavior. It should not try to regulate what people eat or drink.

- The government is deeply involved in what we eat, from farm subsidies to setting nutritional standards for school meals. Major government interventions have been successful in improving and protecting the public's health. Examples include smoking restrictions and tobacco taxes, air bags in autos, fluoridated water, and vaccinations.
- Agriculture subsidies that support the production of high fructose corn syrup, and USDA policies on what can be sold in schools are examples of policies that may be counter-productive.
- Some states and cities have lower sales taxes on food than other products by virtue of food being a necessity. Policies could define sugared beverages as non-necessities so they would not qualify for lower rates.

Soft drink taxes can't be compared to cigarette and alcohol taxes. The use of tobacco and alcohol can have adverse consequences (called "negative externalities") for non-users such as second hand smoke and drunk driving accidents. This is not true for soft drink consumption.

Sugared beverage intake also results in externalities. Because of the relationship of soft drink intake to negative health outcomes in both children and adults, health care costs rise. Obesity-related medical expenditures are estimated to be \$147 billion per year. Half of these costs are paid for with taxpayer dollars through Medicaid and Medicare.³¹

People who consume too many soft drinks know they risk becoming overweight. Everyone else shouldn't have to bear the burden of their bad decisions.

Consumers, especially young ones, may not know the risks involved in over-consumption of soft drinks or calories. For example:

- People may not be aware that a 20-ounce bottle of Coca Cola has more than 15 teaspoons of sugar and 240 calories.
- Most people cannot estimate the number of calories when they eat out. Even experienced nutritionists underestimate the numbers.
- Overweight and obese children are more likely to become obese adults and suffer from related chronic diseases.

The public may also not be aware that in 2006 manufacturers spent about \$1.62 billion to market soft drinks, snacks, and other unhealthy foods, just to children and adolescents and just in the U.S. Approximately \$870 million of that was spent on advertising to children under 12.³²

It's wrong to blame soft drinks for obesity because sales of "regular" soft drinks have decreased but obesity rates are still rising.

Sales of traditional carbonated sodas may be down, but sales of other sugared beverages have increased; hence the recommendation that all sugar-sweetened beverages be taxed.



1-7

FOOTNOTES

- 1 Brownell, K.D., Farley, T., Willett, W.C., Popkin, B.M., Chaloupka, F.J., Thompson, J.W., & Ludwig, D.S. (2009). The public health and economic benefits of taxing sugar-sweetened beverages. *New England Journal of Medicine*. www.nejm.org September 16, 2009 (10.1056/NEJMp0905723). (accessed September 25, 2009).
- 2 Ibid.
- 3 New York State Division of the Budget, 2009-2010. <http://publications.budget.state.ny.us/eBudget0910/fy0910littlebook/RevenueActions.html> (accessed February 3, 2009).
- 4 Block, G. (2004). Foods contributing to energy intake in the US: Data from NHANES III and NHANES 1999-2000. *Journal of Food Consumption and Analysis*, 17, 439-447.
- 5 Duffey, K.J., & Popkin, B.M. (2007). Shifts in patterns and consumption of beverages between 1965 and 2002. *Obesity*, 15, 2739-47.
- 6 Brownell, 2009, op.cit.
- 7 "Soft-drink sales slip, accelerated drop due to price hikes, fickle consumers." *Convenience Store/Petroleum Daily News*, March 14, 2008. <http://www.cspnet.com> (accessed February 18, 2009).
- 8 Nielsen, S. J., & Popkin, B. M. (2004). Changes in beverage intake between 1977 and 2001. *American Journal of Preventive Medicine*, 27(3), 205-210.
- 9 Bleich, S.N, Wang, Y.C., Wang, Y., & Gortmaker, S.L. (2009). Increasing consumption of sugar-sweetened beverages among US adults: 1988-1994 and 1999-2004. *American Journal of Clinical Nutrition*, 89, 372-381.
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President Patricia J. Plank, MSN, RN

Testimony in Support of SB 567
Presented to the Senate Assessment and Taxation Committee
by Craig Gunther, RN

March 17, 2010

Senator Donovan and Members of the Committee:

On behalf of the Kansas State Nurses Association, I appear in support of SB 567. Not only will this bill assist in filling the revenue hole we face as a state, it will also assist in decreasing the consumption of beverages that contribute to chronic health conditions.

With 1 in 4 Kansas students grades, 9-12 either overweight or at risk for being overweight,¹ measures must be taken to help combat this serious health concern. Statistics verify that 28% of adult Kansans are obese, with the prevalence doubled since 1992.² The goal of Kansas for Healthy People 2010 related to obesity measures is for only 5% of children ages 12 – 19 to be overweight or obese and 15% of the adult population. The 2007 and 2008 data show rates of 11% and 28% respectively for Kansas.²

As nurses, we know that obesity directly contributes to the chronic health conditions that many Kansans experience; including high blood pressure, diabetes, heart disease, stroke, arthritis, and sleep apnea. We see the effect these chronic conditions have on productivity and satisfaction with life, let alone the financial burden for the individual and the State. It has been reported an estimated \$657 million per year in medical costs is spent on obesity related diseases in Kansas.

The Kansas State Nurses Association remains concerned about the effects of recent budget cuts on our industry and services to populations of individuals we serve. Obtaining revenue to offset funding shortages while decreasing unhealthy behaviors is a win-win proposition. We strongly support passage of SB 567.

Sincerely,

Craig Gunther, RN
Kansas State Nurses Association

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Sn. Assmnt & Tax
3-17-10

Attachment # 2



**KANSAS ACADEMY OF
FAMILY PHYSICIANS**
CARING FOR KANSANS

March 17, 2010

To: Senate Assessment & Taxation Committee
From: Carolyn Gaughan, CAE, Executive Director
Re: Testimony on SB 567

Chairman Donovan and Members of the Senate Assessment & Taxation Committee:

Thank you for this opportunity to present testimony on Senate Bill 567, on behalf of the Kansas Academy of Family Physicians (KAFP). Our organization has over 1,530 members across the state, of which more than 960 are practicing physicians, 155 are resident-physician members, and the others are medical students and retired members. The roots of family medicine go back to the historical generalist tradition. The specialty is three dimensional, combining knowledge and skill with a unique process. The patient-physician relationship in the context of the family is central to this process and distinguishes family medicine from other specialties.

KAFP supports the increased tax on sugar sweetened beverages in SB 567. In addition to raising an estimated \$90 million for the State General Fund, we believe it offers significant health benefits. My comments are based upon a July 2009 Issue Brief by the Robert Wood Johnson Foundation titled *Sugar-Sweetened Beverage Taxes and Public Health*. It provides an excellent foundation in understanding the relationship between sugared beverages and obesity and builds the case for taxation.

Obesity is a growing health issue: Obesity rates among U.S. children, adolescents and adults have increased dramatically over the past four decades.^{1,2} Today, nearly one-third of all children and adolescents in the country—more than 23 million—are overweight or obese, and are therefore at greater risk for heart disease, type 2 diabetes and a host of other serious diseases.^{3,4} According to the 2007 National Survey of Children’s Health, 15 percent of Kansas children ages 10-17 were overweight and 16 percent were obese. These are about the same proportions as those observed nationally. Obese young people are more likely than their normal-weight peers to become overweight or obese as adults. Therefore, they are at a higher risk for associated adult health problems including heart disease, type 2 diabetes, stroke, several types of cancer and osteoarthritis. Healthy lifestyle habits, including healthy eating and physical activity, can lower the risk of becoming obese and developing related diseases.

Rising obesity rates have motivated policy-makers to implement policies that can improve access to affordable, healthy foods and increase opportunities for physical activity in schools and communities across the country. In the past decade, states and localities also have begun to consider taxing sugar-sweetened beverages (SSBs)—including sodas, sports drinks, sweetened tea, fruit drinks and punches, and other sweetened beverages—in order to generate revenue, reduce consumption of unhealthy beverages and promote public health.⁵

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Attachment # 3

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KANSAS ACADEMY OF
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Research has shown that relatively large increases in taxes on cigarettes and other tobacco products are the single most effective policy approach to reducing tobacco use.^{6,7,8,9} Additionally, dedicating a portion of the revenues gained from such taxes to comprehensive tobacco control programs has led to further reductions in tobacco use among youth and adults.^{10,11,12}

Although there are many significant differences between tobacco and SSBs, the tobacco example provides a model for how taxes can be used to promote public health. Emerging studies suggest that small taxes on SSBs are unlikely to affect obesity rates, but they can generate revenue that states can invest in improving public health. In addition, while there is only limited research on the impact of taxes on SSB consumption rates and related weight outcomes, existing research on the impact of prices on food-purchasing behaviors in general suggests that substantive taxes on SSBs could significantly affect consumption patterns and thereby have an impact on overweight and obesity rates.

Sugar-Sweetened Beverages (SSBs) May Contribute to Higher Obesity Rates among Youth: A growing body of research indicates that an increase in SSB consumption is associated with increases in caloric intake, weight gain, obesity and a variety of other negative health consequences among children, teens and adults.^{13,14,15,16} Increased consumption of SSBs in adults has been linked with higher rates of type 2 diabetes, and a school-based intervention that lowered SSB consumption among Native American adolescents significantly reduced plasma insulin levels, a risk factor for type 2 diabetes.^{17,18} SSB intake is associated with inadequate intake of several important nutrients, including calcium, iron, folate and vitamin A.^{19,20,21,22}

As prices of unhealthy foods and beverages increase, consumption of them decreases.

Numerous studies demonstrate that changes in the relative prices of foods and beverages lead to changes in how much people consume them.^{23,24,25} Several of these studies have estimated that a 10 percent increase in the price of SSBs could reduce consumption of them by 8 percent to 11 percent.^{26,27,28,29} A few studies have concluded that, in response to changes in relative prices, some consumers will substitute a healthier beverage for an SSB. For example, a study conducted in 2004 found that increases in SSB prices resulted in small increases in consumption of whole and reduced-fat milk, juice, coffee and tea.^{30,31}

As relative prices of unhealthy foods increase, compared with prices of healthy foods, weight levels decrease. A small but growing body of national research indicates that higher prices of unhealthy foods and beverages versus healthy ones are associated with reductions in BMI and the prevalence of overweight and obesity.^{32,33,34,35,36,37,38,39,40}

Children and adolescents, lower-income populations and those already overweight are potentially most responsive to changes in the relative prices of foods and beverages. Emerging research on the impact of food prices on weight and obesity indicates that weight levels for youths, lower-income populations and those who already have elevated BMIs are more strongly associated with food and beverage prices than are those of older, healthier-weight and higher-income populations.^{46,47,48,49,50}

Two recent studies examined the link between state SSB taxes and weight, providing only weak evidence that existing, relatively modest taxes (the average for all states is currently just 3.4 percent) are associated with adolescent and adult weight levels.^{52,53} These findings are consistent with the growing research on food prices and weight that suggests that sizable changes in the relative prices of healthier foods compared with less healthy ones are required to significantly change BMI levels and the prevalence of overweight and obesity.^{54,55,56,57,58,59}



KANSAS ACADEMY OF
FAMILY PHYSICIANS
CARING FOR KANSANS

Conclusions & Implications: The effectiveness of increased tobacco taxes in reducing tobacco use has stimulated interest in taxes as a policy tool for helping to reverse the national rise in obesity rates.⁶² Taxes on SSBs are of particular interest given the research linking consumption of such beverages to weight gain and obesity among children, adolescents and adults. The potential of significant SSB taxes to reduce obesity rates is supported by a number of studies showing that soft drink consumption falls when soft drink prices rise and that changes in the relative prices of healthier foods and beverages compared with less healthy products are associated with changes in weight. However, additional research is needed to fully determine the net impact of changes in SSB prices on overall caloric intake.

While many states currently tax SSBs, mostly by disfavoring them under their sales tax systems, limited recent research suggests these modest taxes, which average only 5.2 percent among states that do apply such taxes, have had little impact on weight. However, emerging research suggests that significant differences in the relative prices of healthier foods and beverages compared with those that are less healthy could help to reduce BMI and the prevalence of overweight and obesity, particularly for the young and lower-income populations that are most at risk for obesity. This suggests that raising SSB taxes to levels that would result in substantially higher SSB prices, either through an excise tax or increased sales taxes, could be a potent policy tool for curbing obesity rates by leading consumers to reduce their SSB consumption.

Such policy efforts could achieve an even greater impact if they allocated some of the revenues from these taxes to the support of other obesity-reduction and -prevention efforts.

We commend you for considering this tax and urge your adoption. We request your consideration for allocating part of the funds generated for obesity-reduction and -prevention efforts. I hope these thoughts from the Robert Wood Johnson Foundation brief are helpful. I did not cite the entire body, but did include all the references below in case you'd like to read further. I would be happy to answer any questions you might have.

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KANSAS ACADEMY OF
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Kansas Families for Education Foundation

Demanding Excellent Public Schools

**Kathy Cook, Executive Director
Kansas Families for Education
Senate Assessment and Taxation Committee – March 17, 2010
SB567**

Mr. Chairman, members of the committee thank you for the opportunity to come before you today. I am Kathy Cook, Executive Director of Kansas Families for Education and we are here today to lend our support to SB 567.

Services to our most vulnerable citizens are being slashed to a degree that is unconscionable. Elimination of teaching positions and school programs will have a lifelong impact on many of our students. The waiting lists for our disabled citizens could mean the difference between life and death. We urge you to examine all possible revenue sources to protect our citizens' quality of life to provide the services that our citizens expect and are required by the Kansas constitution.

Nobody likes to pay taxes, and we are sensitive to those suffering from the economic crisis facing our country. I know only too well what it is like to watch your income dwindle as my husband's employer closed their doors in December and he is among the ranks of the unemployed. However, we continue to save for our son's educational needs, we are assisting a family member who suffered a stroke and is awaiting disability, and we take care of my mother who is 89 and suffers from many ailments. I tell you this, not to complain or for sympathy, but to tell you that while this is difficult, it is the right choice.

The bill before you today does not solve all our problems, but it will help. While we support SB567 we would ask that legislators continue to look at other revenue sources as possible solutions as well. Perhaps it is time to increase income taxes for those making over \$100,000 per year. The unemployed, seniors and others on fixed income, and the poor all still have to buy necessities such as food and clothing and may not be spared by some of the taxes being considered, but they could be spared by an income tax increase.

However, we leave the final decisions of what revenues to increase in the hands of our elected officials. We know that the decisions will not be easy. As Albert Einstein said, "what is right is not always popular, and what is popular is not always right."

Thank you for your consideration and your time.

Sn. Assmnt & Tax

3-17-10

Attachment # 4



Mark Parkinson, Governor
Roderick L. Bremby, Secretary

DEPARTMENT OF HEALTH
AND ENVIRONMENT

www.kdheks.gov

Testimony on SB 567

**Presented to
Senate Assessment and Taxation Committee**

**By
Dr. Jason Eberhart-Phillips, MD, MPH, State Health Officer and
Director, Division of Health
Kansas Department of Health and Environment**

March 17, 2010

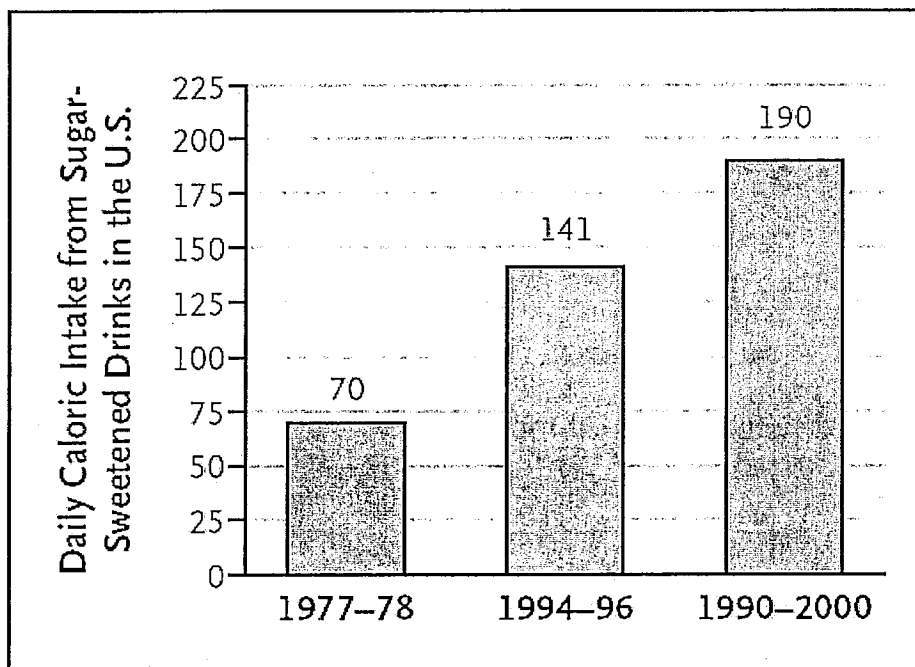
Chairman Donovan and members of the committee, I am Dr. Jason Eberhart-Phillips, State Health Officer and Director of the Division of Health for the Kansas Department of Health and Environment. I am very pleased to appear before you to discuss the expected health impact of Senate Bill 567, which proposes to impose a \$0.01 tax per teaspoon of sugar on sugar sweetened beverages (SSB). Raising the price of sugar sweetened beverages is a policy that offers great potential to reduce calorie consumption patterns that are driving the obesity epidemic, particularly if revenues are invested in obesity prevention programs.ⁱ

Obesity, a rare phenomena until the latter part of the 20th century, has risen to the second leading cause of preventable death in our country.^{ii, iii} Nationally, twenty-five million children (32%) are now obese or overweight, meaning that they exceed the 85th percentile on growth charts. The prevalence of obesity among children has tripled since 1980, posing very different health challenges for youth as they enter their adult years. Among Kansas high school students, the only age group for which we regularly collect data, over ¼ of students are currently overweight or obese.^{iv} An astonishing two-thirds of all Kansas adults are overweight or obese.^v Adult obesity rates have doubled since the 1980's with an associated increase in early onset of chronic diseases such as diabetes and heart disease.

The medical costs of obesity account for more than \$650 million each year in health care costs in Kansas, and obesity is responsible for driving the continued escalation of medical costs due to chronic diseases^{vi} It is estimated that obesity, associated with physical inactivity and poor nutrition, contributes to 15.2% (3,700) of all deaths each year in Kansas and that in 2010, one in four dollars spent for medical care will be to treat obesity-related disease. It is this dramatic toll on health that prompts actuarial experts to project that today's children may be the first generation to die younger than their parents.

Sugar-sweetened beverages (SSBs) are the only food or beverage that is directly linked to obesity.^{vii} The relationship between consumption of sugar-sweetened beverages and body weight has been examined in many cross-sectional and longitudinal studies.

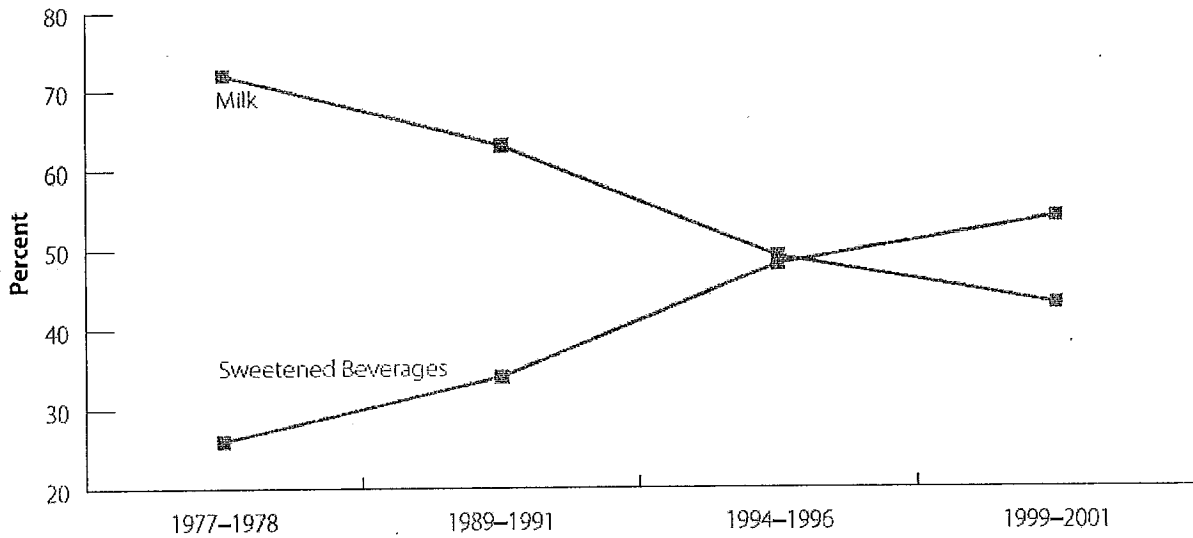
Nationally, an average of 21 ounces/day SSBs are consumed among all age groups, a 135% increase in consumption since 1977.^{viii} During this same time period, the prevalence of obesity increased by 112%.^{ix} Brownell, et. al. report that children consume about 172 kcal per day and adults consume 175 kcal per day per capita from sugar-sweetened beverages.^x Thirty-one percent of Kansas high school students report they have consumed ≥ 1 can or bottle of soda daily during the past seven days. Over a year's time, this seemingly small amount of additional calories consumed daily could easily amount to a 10-15 pound weight gain.



Daily Caloric Intake from Sugar-Sweetened Drinks in the United States.

The increase in soft drink intake has also been associated with lower intakes of milk, calcium and other nutrients. Teenagers drink twice as much soda as milk. Only 14% of girls get enough calcium to avoid osteoporosis later in life. A study conducted on more than 500 school-age children in Massachusetts found that for each additional can of sugared beverage consumed per day, the likelihood of the child becoming obese increased by 60%.^{xi}

Percentage of Beverage Calories from Sweetened Beverages and Milk, for Children Ages 2-18



Multiple studies have now demonstrated that increasing the price of sugar-sweetened beverages is an effective way to decrease consumption. A review conducted by Yale University's Rudd Center for Food Policy and Obesity suggested that for every 10% increase in price, SSB consumption decreases by 8%.^{xii} Assuming for a moment that Kansas adults consume the average 175 calories per day from sugar-sweetened beverages, an 8% reduction could prevent approximately 1 ½ pounds of weight gain per person in a single year. Currently, the average weight gain among adults aged 20-40 years is 1.8-2.0 pounds per year.^{xiii} This may not seem impressive on a "per year" basis, but has the potential to make a tremendous impact on preventing new cases of diabetes, which is currently costing Kansans an estimated \$1.5 billion dollars in health care costs to treat this disease.^{xiv} A mere reduction of 100 calories per day across the population has the potential of preventing over 10,000 new cases of diabetes in Kansas within a 10 year period.

Kansas is not alone in considering a sales tax on sugar sweetened beverages. The Health Policy Center at University of Illinois at Chicago reports that, already, 21 states tax soda at a higher rate than real food. During the 2009-10 legislative sessions, 13 states have considered bills to tax or increase taxes on sugar-sweetened beverages, including Arizona, California, Colorado, Connecticut, Hawaii, Massachusetts, Michigan, New Hampshire, New Mexico, New York, Rhode Island, Tennessee, and Vermont.^{xv} Not only could this measure potentially generate more than \$120 million per year to greatly alleviate state general fund deficits, but it promises to provide an unprecedented opportunity to impact the progression of obesity and its related onset of preventable chronic diseases.

Thank you for the opportunity to appear before the committee today. I will now stand for questions.

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- ^{iv} 2008 Kansas Behavioral Risk Factor Surveillance System, KDHE
- ^v 2007 Kansas Youth Risk Behavior Survey
- ^{vi} Finkelstein, et al. 2004
- ^{vii} Vartanian LR, Schwartz MB, Brownell KD. Effects of soft drink consumption on nutrition and health; a systematic review and meta-analysis. *Am J Public Health* 2007; 97: 667-75.
- ^{viii} Nielsen SJ, Popkin BM, Changes in beverage intake between 1977 and 2001. *American Journal of Preventive Medicine*. 2004; 27 (3), 205-210.
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Graph Reference:

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**Senate Committee on Assessment and Taxation
Hearing on Senate Bill 567
March 17, 2010**

Chairman Donovan and members of the Committee, thank you for the opportunity to provide testimony regarding SB 567. My name is Tanya Dorf Brunner, and I am the Executive Director of Oral Health Kansas. We are a statewide coalition dedicated to improving oral health in Kansas through advocacy, public awareness, and education. We have over 1100 supporters, including dentists, dental hygienists, educators, safety net clinics, charitable foundations, and advocates for children, people with disabilities and older Kansans.

The state of Kansas is in the midst of an unprecedented economic downturn. The loss of \$1 billion over the past year has led to dramatic cuts in critical safety-net services. Some of those services are dental services for people who are on Medicaid. Funding has been eliminated for dental services for pregnant women; people with developmental and physical disabilities, traumatic brain injury; and elderly Kansans. Research shows that people who receive routine dental services are able to manage oral health problems that could lead to more serious and costly health problems, including pneumonia, strokes, and heart conditions. Eliminating preventive dental services has and will cost the state more money in addressing the serious health problems people on Medicaid experience.

Because we believe strongly that preventive dental services need to be a part of the state Medicaid plan, Oral Health Kansas urges the Committee to support the sales tax on sweetened beverages contained in SB 567. Tax calculators from the Rudd Center for Food Policy and Obesity and the Center for Science in the Public Interest estimate this tax could generate between \$126 and \$135 million for Kansas. This increase in the State General Fund could help provide fundamental dental and medical care to meet the basic needs of Kansas citizens. Under the current enhanced FMAP rate, if \$126 million SGF were matched with federal Medicaid money, the state would draw down an additional \$294 million.

In 2007, 22 of the 50 states, plus the District of Columbia, had a food sales tax exemption, but imposed a sales tax on soda. By 2008, Connecticut and South Carolina joined their ranks. An additional four states have a disfavored tax status for soda, wherein they impose a higher tax on soda than they do on food. A majority of states has decided it is good public policy to impose more sales tax on a luxury item like soda than on a necessity like food. Two of Kansas' neighboring states already impose more tax on soda than they do on food: Nebraska and Iowa.

The sweetened beverage sales tax proposal would bring Kansas in line with a majority of the states by imposing a higher rate of tax on a nonessential item. This proposal, along with the concept being contemplated by this Committee to raise the

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state sales tax and use the additional tax to fund a food sales tax exemption in three years, is good public policy.

A 2008 poll of New York state residents found that 52% supported a soda tax, and that 72% supported the tax if they knew the revenue would fund health programs. The Medicaid program, and every health insurance plan, is paying for the medical services to address the problems associated with sugar beverages, including obesity, diabetes and dental decay. In an April 2009 article, the *New England Journal of Medicine* estimated \$79 billion is spent annually for healthcare related to obesity; half of these costs are borne by taxpayers through the Medicare and Medicaid programs.

In January 2010 the Executive Director of the Center for Science in the Public Interest issued a statement on a New York soda tax proposal. He said, "Taxpayers in New York State and elsewhere are already paying a heavy price for out-of-control soda consumption, since taxpayers subsidize much of the treatment of obesity, diabetes, and other expensive health problems."

Last October the *Los Angeles Times* published an op-ed promoting the notion of taxing soft drinks in order to generate revenue for health care services. The op-ed noted, "Portions are also an issue – the 8-ounce bottle of the 1950s has morphed into a 20-ounce behemoth. A regular 20-ounce soda contains 17 teaspoons of sugar and 250 calories."

The Rudd Center for Food Policy and Obesity at Yale University published a report last fall noting that US per capita consumption of calories from sweetened beverages doubled between 1977 and 2002. The chart on the next page is from a Minnesota Dental Association journal in 2001. It shows the amount of pH and sugar in many popular beverages. A low pH level in a beverage indicates it is more acidic, and therefore erodes the tooth structure.

According to the ADA, "Many dentists are concerned that their patients are consuming record numbers of sugar-filled sodas, sweetened fruit drinks, and non-nutritious snacks that affect their teeth. These items generally have little if any nutritional value and over time they can take a toll on teeth."

Every Kansan needs to have access to good, nutritional food on a daily basis. While many Kansans enjoy a soda now and then, none of us really needs one.

We urge you to support SB 567. It will provide our state the ability to reinvest in its citizens by ensuring people do not have to go without the critical dental and medical care they need. It is the right investment for Kansans at the right time. Thank you again for the opportunity to provide this testimony.

Table I.

pH and Sugar Content of a Variety of Soft Drinks and Other Popular Beverages

Beverage	pH	Sugar (gm/serving)	Beverage	pH	Sugar (gm/serving)
Coca-Cola			A&W Root Beer	4.41	31
Classic	2.53	39	Diet Rite	3.46	0
Diet	3.39	0	Orange Slice	3.12	50
Cherry	2.53	42	Squirt	2.85	40
Sprite	3.42	26	Minute Maid Orange Soda	2.8	47
Surge	3.02	46	Lipton's		
7-Up			Iced Tea	2.86	22
Regular	3.19	26	Lemon Iced Tea	2.9	33
Diet	3.67	0	Nestea Iced Tea	3.04	22
Pepsi			Gatorade		
Regular	2.49	42	Citrus Cooler	2.97	14
Diet	3.05	0	Lemon Lime	2.97	14
Mountain Dew			Snapple		
Regular	3.22	31	Plain Tea	3.93	25
Diet	3.34	0	Lemon Iced Tea	2.98	25
Dr. Pepper			Pink Lemonade	2.54	26
Regular	2.92	27	Diet Pink Lemonade	3.1	0
Diet	3.41	0	Lemonade	2.56	30
Barq's Root Beer			Diet Lemon Iced Tea	2.55	0
Regular	4.61	45	Raspberry Iced Tea	2.95	29
Diet	4.55	0			

"Sugar, rum and tobacco are commodities which are nowhere necessities of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation." – Adam Smith, *The Wealth of Nations*, 1776

Testimony to Senate Assessment and Taxation
In Support of SB 567
March 17, 2010

My name is Shannon Jones. I am the director of the Statewide Independent Living Council of Kansas, (SILCK). The SILCK envisions a world in which people with disabilities are valued equally and participate fully. To realize that vision, the SILCK works closely with the 12 Centers for Independent Living to promote productivity and economic self sufficiency for people with all types of disabilities.

The SILCK supports SB 567 imposing a tax on sweetened beverages.

As the legislature moves to critical decision making time, the discussion needs to move away from what can we cut to what are the basic needs of our most vulnerable citizens.

Our state has a proud history of giving support to ensure a basic standard for all it's citizens. We have moved away from that history and we need to return.

At present we are facing a revenue deficit of over \$400 million to fund the FY 2011 budget. SB 567 provides a revenue generating measure to help close the gap.

Currently, 58 persons have died while waiting for services and the waiting list for persons with a disability stands at 1800 and growing daily. There is a rightness in providing services to the most vulnerable in our Kansas society.

The Statewide Independent Living Council doesn't advocate in a vacuum. We recognize there is the need for revenue. During this session we have testified in support of tax increases and the elimination of tax exemptions.

The idea of a 'pop' tax should be viewed as both a public health measure and a revenue measure. With all of the discussion on obesity, the tax on pop would help to highlight the need for better health on the part of all of us. As in increases on cigarettes there was a decline especially with the young smoker so there might be the same value in relation to soda pop.

We urge you to support any revenue generating measure.



Testimony on:

SB 567

Presented to:

Senate Assessment and Taxation Committee

By:

**Cathy Harding, Executive Director
Kansas Association for the Medically Underserved**

March 17, 2010

For additional information contact:

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Good morning Mister Chairman and members of the Assessment and Taxation Committee.

I am Cathy Harding, Executive Director of the Kansas Association for the Medically Underserved, (KAMU). I am pleased to be here today to speak in support of SB 567.

KAMU was designated the Primary Care Association (PCA) of Kansas by the Bureau of Primary Health Care in 1991 and maintains that designation today. As the PCA, KAMU represents 44 members, including 40 safety net clinics. The 40 Safety Net Clinics along with their 29 satellite sites provide Kansans a total of 72 access points. Membership includes public and private non-profit primary care clinics, Federally Qualified Health Centers (FQHC's), one Federally Qualified Health Center Look-Alike, local health departments and the Statewide Farmworker Health Program.

KAMU's purpose is to grow and strengthen safety net clinics so that all Kansans will have a primary health care "home". This home is a place where people receive comprehensive primary, dental and behavioral health care, which cover the spectrum of preventative, acute and chronic health care needs.

In 2008 our 40 clinics provided care for nearly 190,000 underserved Kansans – a 34% increase in patients in just two years – 2006-2008. With the current economic client in our state, the number of individuals who are uninsured and underinsured will continue to rise. Our clinics that have reported data for 2009 (1/3 of the members to date) averaged a 25% increase in patients served in just one year!

The Kansas safety net clinic program received \$7,481,065 in SFY 2010 and 98% of the state investment goes directly to the clinics through grant programs. The remaining 2% is used to support the clinics through technical assistance and workforce development.

Recognizing that this year tough budget decisions will need to be made, I am pleased to state that investing in the safety net clinics is a positive decision – in fact, it actually saves the state money.

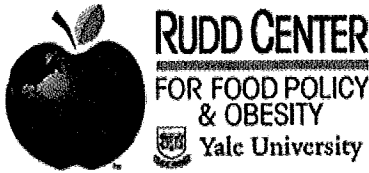
- Nationally, studies show that Medicaid patients served by Federally Qualified Health Centers **saves** Medicaid an average of \$1,000 per beneficiary per year. So, this is a direct savings to our Medicaid program.
- Statewide, for every state dollar that goes to our clinics, another \$10 is secured from other sources. This is an excellent return on the dollar.
- Finally, our clinics prevent the use of more expensive options. Some studies indicate that the cost of a visit to an emergency room is five times that of an outpatient clinic visit. Again, if this is a Medicaid beneficiary, the result is a direct savings to the state.

As a primary health care organization that supports healthy lifestyles, we support the tax on sweetened beverages.

An increase in the sweetened beverage tax will provide four major benefits to the state, specifically:

- **Decrease obesity.** A can of soda pop averages approximately 150 calories, and has no nutritional value. Increasing the purchase price due to increased beverage tax is likely to reduce consumption.
- **Decrease tooth decay.** The sugar and acid in soda pop damages the enamel in teeth. Many dentists believe that soda pop is a main reason why an increase in the level of tooth decay has been observed the past few years, since more people drink the beverage with more regularity than ever before. Again, increasing the purchase price is likely to reduce consumption.
- **Increase revenue to the state general fund.** An increase in this tax will contribute essential funds to the state general fund budget, which can prevent additional cuts to essential programs such as the primary care/safety net clinic funding.

Thank you, Mister Chairman, for the opportunity to speak in support of SB 567. I would be pleased to stand for questions.



March 16, 2010

Kansas Legislature
Senate Assessment and Taxation Committee
The Honorable Les Donovan, Chair
The Honorable Julia Lynn, Vice-Chair

Dear Chairman Donovan, Vice Chairwoman Lynn, and members of the committee,

Thank you for the opportunity to present testimony regarding **Senate Bill 567**, concerning taxation of sweetened beverages.

The Rudd Center for Food Policy and Obesity seeks to improve the world's diet, prevent obesity, and reduce weight stigma. The Center establishes creative connections between science and public policy and develops targeted research to inform and empower the public and policy makers, and to maximize the impact on public health. We have written extensively about, and done research on, soft drink taxes as a strategy to prevent obesity.

Kansas is facing an obesity and diabetes epidemic, as is the rest of the nation. According to the Centers for Disease Control, 66% of Kansan adults are overweight or obese. Among children, 11% are obese, with a higher prevalence among Black (16%) and Hispanic (18%) childrenⁱ. Type 2 diabetes, once seen only in adults, is being reported with increasing frequency among children.

Sugar-sweetened beverages have become a staple of today's American diet. These drinks are inexpensive, in abundant supply, and appeal to our taste for sugar. They are heavily marketed, especially to children, often using celebrities and sports stars. More than for any category of foods, rigorous scientific studies have shown that consumption of soft drinks is associated with poor diet, increasing rates of obesity, and risk for diabetes. These links are strong for children.

We would like to present some evidence-based information which will address issues and questions that may arise when considering a tax on soft drinks.

There has been a substantial increase in consumption of soft drinks:

- A 2004 study found that soft drinks are the single largest contributor of energy intake in the United States.ⁱⁱ Kansas adults drink an average of 1.5 soft drinks and fruit drinks per day--about 203 gallons per year, or 72 gallons per person, including 49 gallons of sugar-sweetened beverages.ⁱⁱⁱ
- Soft drink consumption is associated with obesity among school children^{iv} and

increased body weight and energy intake in the population.^v

There is evidence that prices affect purchases and consumption:

- Soft drink consumption can be curtailed by increasing the price of soft drinks.^{vi}
- A study of salty snack food taxes showed that small taxes are likely to produce less of an effect, whereas larger taxes (between 10-30%) can have a significant effect on consumption.^{vii}
- A recent study showed that taxing less healthy foods was more effective in reducing their intake than subsidizing more healthful foods.^{viii}

Soft drink tax opponents have argued that such taxes are regressive. Soda taxes have the potential to be most beneficial to low-income people, who may consume more soft drinks and snacks, be more sensitive to higher prices and therefore stand to benefit most from reducing consumption. This is especially true if the revenues are used for programs that will benefit the poor. Subsidies on more healthful foods can offset the regressive nature of soft drink and snack taxes.

Taxing alcohol and cigarettes has proven to be highly successful in reducing consumption.

- Every 10 percent increase in the real price of cigarettes results in a 3-5 percent reduction in overall consumption, a 3-5 percent reduction among young adult smokers, and a 6-7 percent reduction among children.^{ix}
- A 2009 systematic review of 112 studies of alcohol taxes on price effects establishes that increasing prices of alcohol is an effective means to reduce drinking.^x

Opponents will assert that such taxes can't be compared to those on cigarettes and alcohol because the latter two clearly have adverse consequences or "externalities" for non-users (for example, second-hand smoke, and drunk driving accidents). Sugared beverage intake also results in externalities. Because of the relationship of soft drink intake with negative health outcomes in both children and adults, health care costs rise. For example, obesity-related medical expenditures in Kansas adults are \$831 million *each year*.^{xi} All taxpayers are affected, as public funds such as Medicare and Medicaid pay for 43% of all adult medical expenditures attributable to obesity in Kansas.^{xii}

There is public support for taxes that are earmarked for obesity prevention:

- A December 2008 poll found that 52% of New York voters supported a proposed tax on soft drinks. Approval rose to 72% when they were informed that the tax would raise funds to be earmarked for obesity prevention among children and adults.^{xiii}
- Another poll taken at the same time that asked whether New Yorkers would support an "obesity tax" or "fat tax," and did not note what the funds would be earmarked for. It found that 64% opposed the tax while 31% supported it.^{xiv} Hence, using the revenue for things the public can support is important.

Obesity and related chronic diseases, which cost the country millions of health care dollars each year, are complex problems which must be addressed with multi-faceted strategies. We recommend that 15-20% of the revenue be earmarked for obesity-prevention programs.

Thank you for allowing us to submit this testimony.

Sincerely,

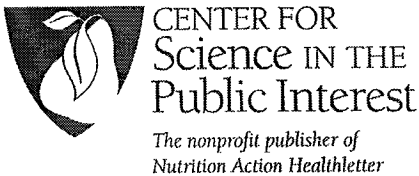


Kelly D. Brownell, PhD.
Director



Roberta R. Friedman, ScM
Director of Public Policy

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**Testimony of Julie Greenstein, Deputy Director of Health Promotion Policy
Center for Science in the Public Interest**

**Hearing on SB 567, Sugar Sweetened Beverage Tax
Kansas State Senate
Assessment and Taxation Committee
March 17, 2010**

My name is Julie Greenstein and I am the Deputy Director of Health Promotion Policy at the Center for Science in the Public Interest (CSPI), a nonprofit health advocacy organization based in Washington, D.C. CSPI applauds Chairman Donovan for holding this hearing today on SB 567, a bill that would impose a one-cent per teaspoon of sugar tax on sugar sweetened beverages.

More than two-thirds of Americans are overweight or obese. In Kansas, 37% of adults are overweight and 28% of adults are obese. A 2005 Centers for Disease Control (CDC) study estimated that approximately 112,000 deaths are associated with obesity each year in the United States, making obesity the second-leading contributor to premature death. That death toll is equivalent to a jetliner full of 300 people crashing *every day*.

While many factors promote weight gain, the science is quite clear – soft drinks are the only food or beverage that has been shown to increase the risk of overweight and obesity, which in turn increase the risk of diabetes, stroke, and many other health problems.

Soft drinks are nutritionally worthless, but add a lot of calories to the diet. Several scientific studies have shown that soft drinks are directly related to weight gain, partly because many people consume such huge volumes of soft drinks, and because beverages are more conducive to weight gain than solid foods. According to one study, for each additional sugared drink consumed per day, the likelihood of a child becoming obese increases by 60%.

Countless studies demonstrate that excess weight is a prime risk factor for type-2 diabetes, heart attacks, strokes, cancer (colon, breast, and others), sleep apnea, and many other problems. Frequent consumption of soft drinks also contributes to osteoporosis, tooth decay, and dental erosion.

Americans spend roughly \$150 billion a year on medical expenses related to obesity, of which about half is paid with Medicare and Medicaid dollars. In Kansas alone the medical cost of obesity total approximately \$834 million annually. While obesity shoul^d

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be addressed through a wide variety of actions, one action to recoup some of those expenses is for Kansas to levy a tax on soft drinks, including non-diet carbonated sodas, energy drinks, sports drinks, fruit drinks, and ready-to-drink teas. (Note: At this time, we do not support taxing diet soda since the evidence linking consumption of diet soda with a desire for sugar-sweetened foods and an increase in caloric intake and weight gain is weak).

The revenues would not only help counter some of Kansas' budget woes, but also should be used to support programs to promote healthy diets and physical activity. A one-cent-per-teaspoon of sugar tax, which would generate an estimated \$90 million annually, would be expected to reduce consumption by about 10%, according to the previous Health Commissioner of New York City, Tom Frieden (now Director of the Centers for Disease Control) and Yale obesity expert Kelly Brownell.

Like the steep taxes now levied on tobacco products, which have significantly reduced tobacco use, more modest taxes on sugared beverages would reduce soda consumption – encouraging consumers to switch to more healthful beverages, and leading to healthier diets and reduced calorie intake and less weight gain.

Half of America's states already tax sugared beverages. Their experiences show that even modest taxes can generate millions of dollars to offset swelling health care costs related to obesity or help pay for Medicaid. Levying a one-cent/teaspoon of sugar tax on sodas and sports drinks would encourage nutritious lifestyles, cut thousands of empty calories from diets and promote better health in Kansas.

This type of tax on soft drinks would not prohibit people from buying sugary beverages. But consumers could avoid the tax entirely by switching to diet sodas, tap or bottled water, seltzer, or low-fat milk, benefiting their health in the process.

The beverage industry claims that all calories are the same and that there is nothing unique about liquid calories. However, studies reveal that calories consumed in the form of liquid, such as soda, rather than solids, are more likely to promote obesity.

Part of the problem today relates to the excessive soft drink consumption that has been aggressively promoted by Big Soda throughout the past decades. Container sizes have grossly expanded over the past 50 years. In the 1950s, Coca-Cola's standard serving was a 6½-ounce bottle. That grew into the 12-ounce can and now the new standard has become the 20-ounce bottle, which contains 17 teaspoons of sugar! The 7-Eleven chain of convenience stores even offers a 64-ounce Double Gulp – which contains more than 50 teaspoons of sugar! Supersizing has become the norm, both for sodas, and unfortunately, for most soda-drinking Americans.

Once again, I thank you and the members of the Committee for holding this hearing on a sugar sweetened beverage tax. We encourage you to adopt it. If we are to address this country's obesity epidemic, we must find ways to reduce soft drink consumption.



KANSAS DIETETIC ASSOCIATION

2009-2010 Officers ♦ *President Crissy Kaleekal* ♦ *President Elect Joan Stadler* ♦ *Secretary Staci Hendrickson* ♦ *Treasurer Barbara Quintero*

Senate Committee on Assessment & Taxation March 17, 2010

Written Testimony by
Charlotte Buchanan

SB 567 - Neutral

My name is Charlotte Buchanan, and I am a practicing dietitian at the Kansas Medical Center located in Andover, Kansas. I am also a board member of the Kansas Dietetic Association and provide written testimony today on behalf of the association regarding Senate Bill 567.

The Kansas Dietetic Association (KDA) recognizes that sugar sweetened beverages, such as soda, lack nutrients that lead to better health status. Consumption of sugar-sweetened beverages has increased dramatically among U.S. children and adolescents. According to a national survey, soft drinks were the sixth leading source of calories for children, constituting over 50% of total beverage consumption.

As nutrition professionals, dietitians agree that all of these statements can be said with certainty. Where we lack convincing data is whether or not consumers' beverage selections will change with the addition of a soda tax, what level of tax is necessary for a change in consumer behavior, and whether that change actually will occur in the target population. What we are learning, however, is that access to accurate information helps consumers make healthier choices.

As Kansas considers imposing a tax on sugar-sweetened beverages, we ask committee members to consider the above questions. The KDA also encourages any measure to include investment in nutrition education and evaluation.

Thank you very much for permitting me to provide testimony today. If I can clarify aspects of this written testimony or answer any other questions for you, please feel free to let me know.

Charlotte Buchanan, R.D., L.D., C.N.S.C.
Registered, Licensed, and Certified Nutrition Support Dietitian
Kansas Dietetic Association, Policy Chair

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KANSAS BEVERAGE ASSOCIATION

5845 SW 29th Street, Topeka, KS 66614-2462

Phone: (785) 273-1441

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Ronald R. Hein
Executive Director
rhein@heinlaw.com

Senate Assessment and Taxation Committee

Testimony Re: SB 567

Presented by Ronald R. Hein

on behalf of

Kansas Beverage Association

March 17, 2010

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Beverage Association (KBA), which is the state trade association for beverage bottling companies operating in Kansas. Products manufactured and distributed by members of the KBA include carbonated diet and regular soft drinks, bottled waters, isotonic drinks, juice, juice drinks, sports drinks, dairy-based beverages, teas, and other beverages.

KBA strongly opposes SB 567. SB 567 is an unfair tax aimed directly at consumers and jobs. This new tax would adversely affect jobs and the business environment in Kansas.

SB 567 Establishes a Brand New Tax

SB 567 has not been enacted in a single state, and has recently been proposed by one of the most liberal Senators in California. The bill sets up a totally new tax, which will require the Kansas Department of Revenue (KDOR) to establish a program to implement and enforce the tax. The bill itself is very confusing, and the implementation will be extremely complex and expensive for the state. With thousands of products on the market that have to be reviewed, taxes established, and collection/enforcement mechanisms developed, this will be a nightmare for manufacturers, retailers, KDOR and the public.

Beverage Taxes Hurt Local Workers

The beverage industry directly employs 2,000 workers across Kansas, directly supports thousands of other jobs, pays hundreds of millions of dollars in wages and benefits, and generates over \$200 million annually in state and federal taxes. A tax on beverages is a job killer, as this will impact sales, and reduction of sales, when our industry's sales are already down during this recession, will directly cause the layoffs of workers.

States and Voters are Rejecting Beverage Taxes

Maine voters in November 2008 overwhelmingly rejected (64%) a beverage tax to fund healthcare programs. In New York in 2009, Governor Paterson withdrew his proposed 18 percent soft drink sales tax proposal due to a citizens' grassroots revolt. According to a Rasmussen poll, 70% of Americans oppose a national tax on all non-diet soft drinks,

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while only 18% of the public support the idea of an “obesity tax” similar to the one proposed in New York.

Only two states (Arkansas and West Virginia) currently have an excise tax on soft drinks. Those states have some of the highest rates of obesity in the country. Ten other states and municipalities have repealed their discriminatory soft drink taxes in the past twenty years.

Beverage Taxes Hit Middle and Lower Income Kansans

This tax would hit those who can least afford to pay the higher costs, especially middle- and lower-income Kansans. It is not fair to put the extra burden on them. Kansas families already are struggling in this difficult economy. There could not be a worse time to ask them to pay more for the products they consume. The standard price of a 12-pack of soft drinks at the grocery store is \$4.00. A discriminatory tax of about 10-cents per container would make this same purchase cost up to \$5.20 – a 30% tax increase.

Incentives to Shop Out-of-State Would Grow Stronger

Unfair and inequitable taxation from state-to-state leads to lost sales to neighboring states for food stores in border areas. Imposition of a higher beverage tax rate in Kansas will have the financial impact of Kansas cities along the borders losing business to a neighboring state. That means fewer food store jobs, lower state and local tax revenues, and a weaker business climate in Kansas. Border sales losses already experienced by retailers would grow worse.

Taxes Should Not Be Raised During a Recession

Kansas families already are struggling in this difficult economy. There could not be a worse time to ask them to pay more for the products they consume, raising grocery prices on their family size beverages over 50%.

We encourage policymakers to reject any inequitable and regressive targeted tax increases on our or other products and on consumers and instead look to broad-based, comprehensive mechanisms to address the state’s budget shortfalls.

Thank you very much for permitting me to submit written testimony. I will be available to answer any questions.

HEIN LAW FIRM, CHARTERED

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Ronald R. Hein

Attorney-at-Law

Email: rhein@heinlaw.com

**Senate Assessment and Taxation Committee
Testimony Re: SB 567 – Sweetened Beverage Tax
Presented by Ronald R. Hein
on behalf of
Kansas Restaurant and Hospitality Association
March 17, 2010**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Restaurant and Hospitality Association. The Kansas Restaurant and Hospitality Association, founded in 1929, is the leading business association for restaurants, hotels, motels, country clubs, private clubs and allied business in Kansas. Along with the Kansas Restaurant and Hospitality Association Education Foundation, the association works to represent, educate and promote the rapidly growing industry of hospitality in Kansas.

KRHA strongly opposes SB 567. SB 567 is an unfair tax aimed directly at consumers and jobs. This new tax would adversely affect jobs and the business environment in Kansas.

SB 567 has not been enacted anywhere, and will cause the Department of Revenue to implement a brand new bureaucracy to implement and enforce this tax. That will cause additional problems on restaurateurs. Our members will have to learn a brand new tax, at a time when we are struggling to keep our heads above water.

The bill is confusing, and we are not certain who the first purchaser is. The bill also says:

“The director of taxation shall cause such tax to be collected at the same time and in the same manner provided for the collection of the state retailers’ sales tax.”

How will that work? When will this “excise” tax be applied?

Only two states (Arkansas and West Virginia) currently have an excise tax on soft drinks. Those states have some of the highest rates of obesity in the country, so obviously a tax of beverages is NOT the way to address the obesity issue. Other states have repealed their soft drink taxes.

This is another tax proposal which would hit our restaurants hard at a time when we are facing increased Unemployment Insurance tax increases, and smoking bans, and alcohol tax increases, and reduced revenue from the poor economy. More taxes on our industry will leave our members with no choice but to lay off staff. If jobs are lost, the state will also suffer from reduced revenues in other areas of tax revenue.

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In addition, low and middle income workers who can least afford to be impacted will either see tax increases, or, worse yet, loss of their jobs.

This tax will be another incentive for consumers to take their dollars out of states, to our competitors on the Missouri side of the border. We will also lose sales to Oklahoma, and Nebraska.

Kansas consumers and our workers are already struggling in this difficult economy. There could not be a worse time to ask them to pay more for the products they consume

KRHA urges this committee to kill SB 567.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

STATEMENT OF MICHAEL J. BEAL

VICE PRESIDENT OF BALLS FOOD STORES

Ladies and Gentlemen:

My name is Michael J. Beal. I am the Vice President of Balls Food Stores, a local family owned grocery retailer located in Kansas City, Kansas and the operator of 29 retail grocery stores in total, 19 of which are located in the State of Kansas. Our company is the largest member of Associated Wholesale Grocers, Inc. ("AWG"), a grocery wholesale supplier headquartered in Kansas City, Kansas employing over 1,060 people at their Kansas City, Kansas facility.

I am against Senate 567 for the following reasons:

1. The bill is very poorly drafted. In Section 2 of the Bill, a tax is levied on every sweetened beverage products in the amount of \$0.01 per teaspoon of sugar added to the beverage. However, in Section 3 of the Bill, authority is given to the director of taxation to collect the tax at the same time and in the same manner as provided for the collection of state retailer's sales tax. The problem is that retailers have no idea what tax is applicable to a product based on the sugar content of a product. Ingredients may be listed on a product, but nowhere does the ingredient list state how much of an ingredient is put in the product, thus there is no way for a retailer to calculate and collect the tax required in the Bill.
2. Because the Bill imposes a tax on the manufacturer of certain sweetened beverages on the "first sale" of the product in Kansas (Section 2), this means that when a manufacturer sells its products to AWG, the tax is imposed as a result of such sale. The financial results to AWG and its member retailers is huge and adverse as a result. What this means is that products that AWG distributes to ALL of its members from its Kansas City, Kansas warehouse (its largest in terms of volume) that are deemed to be sweetened beverages will have a higher cost built into those items because of the tax, EVEN THOUGH the sweetened beverages ultimately may be distributed to retailers in states other than Kansas. The Kansas City, Kansas warehouse of AWG distributes a significant percentage of its product to retailers in Missouri, Iowa and Nebraska, in addition to retailers in the State of Kansas. This puts retailers in other states buying products from the Kansas City, Kansas AWG warehouse at a competitive disadvantage compared to distributors of products with warehouse locations outside the State of Kansas. This would be a huge concern to AWG because of the competitive disadvantage that it would suffer, resulting in the loss of business and jobs.
3. The Bill as drafted will include more items in a grocery or convenience store than just soft drinks and there is no way from reading the bill to know which products are subject to the new tax because it is the sugar content that

determines whether the tax is imposed and the amount of the tax. An example of this situation is with juice products in the “baby” section of grocery stores (such as Gerber juice products) that are considered primarily for consumption by infants, but which are not commonly referred to as “infant formula.” In the grocery business, we think of infant formula as products that are the replacement for mother’s milk, not juices. This puts a burden on retailers to determine what items to collect the tax on if they are the entities collecting the tax (see item #1 above), but also puts a burden on any state employee who may be charged with auditing compliance with the Bill, because there is no way to determine whether the tax should be imposed or how much the tax should be.

4. The Bill puts retailers operating within close proximity of the state line at a competitive disadvantage to retailers operating in neighboring states. Assuming that the tax could be as high as 10 cents per can of soft drink beverage (who knows for sure), this would raise the cost of purchasing a 12 pack of soft drinks by \$1.20 per 12 pack, or \$2.40 per case. This tax makes it highly likely that consumers will drive across the state line to purchase items subject to the tax, and by the way, makes it more likely they will fill up their tanks with gas while there to avoid the additional 7 – 8 cents per gallon sales tax on gas compared to gas purchased in Missouri. This means customers in Kansas that are not located close enough to a neighboring state will end up bearing most of the burden for this new tax.

Good morning, Chairman Donovan and members of the Senate Assessment and Taxation Committee. Thank you very much for the opportunity to present comments on S.B. 567, a discriminatory soft drink tax, which I oppose.

My name is Dennis White, and I am one of the owners of Bash Riprocks. We are a local restaurant and bar located in Arbor Creek Village in Olathe. Our restaurant currently employs 22 people outside of my family members. Our restaurant has been in business for just over two years and we are struggling to keep the doors open and to continue to help support our employees. During the course of the last 18 months it has become a continuous battle for us to grow our business. We have to watch every penny that we spend and at the same time in today's economy our customers are doing the same thing, so we have to watch what we charge as well. In today's economic environment where you see national chains advertising \$8.99 all you can eat salad and pasta or Friday's offering 2 three course meals for \$19.99 they have already taken most of our profit out of the main menu items we can offer. We have to be competitive with these prices to bring customers into our restaurant. Being a family oriented business, our soft drink sales are vital to our continued existence. Energy drinks is an area where we see growth for our customers in their 20's. With the ability to make money being continually drained out of the food we sell, the beverage side of our business continues to grow in importance.

I read a quote in the Kansas City Star from Senate Vice President Vratil stating "The thinking is No. 1 that we need money". Shouldn't our thinking be that "No.1 we need

to keep jobs and realize that small businesses like Bash Riprocks is one of the best resources we have to do that? This tax is going to come right out of the employers pockets. If this tax costs me 8 cents per soft drink I can not raise my price from \$1.49 to \$1.57 each. My customer would notice the price increase and I would risk losing that customer. I will end up absorbing the cost and finding a way to make it up somewhere else by maybe reducing an employee and possibly sacrificing some service. That, in the long run, would probably run us out of business and cost 22 tax payers their jobs.

My goal is to create more jobs and this tax or any tax that puts additional strain on employers is not a good idea for our local businesses or economy. I believe that the soft drink tax is wrong and that the best way for this committee to raise tax revenues is to increase your tax base through the promotion of jobs. Find ways to put people to work, not ways to cost the ones that have jobs more. Please vote "no" on this tax today.

Thank you for your time and allowing me to speak to you today.

KANSAS BEVERAGE ASSOCIATION

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Ronald R. Hein
Executive Director
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March 17, 2010

Testimony of *John Barnes*
President Kansas Beverage Association
Pepsi Beverages Company, Olathe KS

Before the Kansas Senate Assessment and Taxation Committee
Subject: S.B. 567, a discriminatory soft drink tax

Good morning, Chairman Donovan and members of the Senate Assessment and Taxation Committee. Thank you very much for the opportunity to present comments on S.B. 567, a discriminatory soft drink tax.

I am *John Barnes, currently President of the Kansas Beverage Association*. The *Kansas Beverage Association* opposes this targeted and discriminatory tax because it is a very ineffective way to impact its stated result which is to fight obesity. In fact, if we are honest with ourselves, it is not about fighting obesity at all and not even one penny is earmarked to be spent on a program that addresses the issue of obesity. This bill, simply put is about money. However, for those of us in the beverage industry, it is about much more than money. It is about how our products are labeled and categorized. The beverage industry strongly rejects the idea of including our products in so called "sin" categories! We do not belong there. We are very proud of the products we sell and the amount of variety we offer. We sell refreshment and enjoyment and there is nothing wrong with that. In fact, enjoyment is in great demand right now in these uncertain and troubled times. The refreshment and enjoyment we sell comes in ways consumers demand. Consumers have demanded zero calorie options and we have given it to them. Consumers have demanded water and enhanced waters that include vitamins and good-for-you attributes, and we have given it to them. Consumers have demanded many new varieties of teas and juices, and we have given it to them. Over the past 5-10 years, the number of beverage items in the "better-for-you" categories has grown tremendously and while our total business remains flat to down, they have been the only categories growing. So the market place is helping to accomplish what this proposed tax will not.

In addition to expanding our product portfolios, our industry has done much more to address the growing concerns of childhood obesity. Under the leadership of the American Beverage Association, our industry came together and set new, very strict guidelines for beverages in schools. We set a goal of achieving these guidelines in just three years, and we have met that goal. We have reduced the calories from beverages sold in schools by 90% in these three years. There is no other industry who can claim that type of success. We have not just talked about fighting obesity, we have actually done something about! Nobody else has.

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While we took the calories out of beverages, kids in schools are still eating pizzas, cheeseburgers, candy bars and ice cream. This tax targets the only industry that has been responsible and capable of doing something to actually address the obesity issue. What do we get for our efforts? Not a "thank you", or even a "hey, nice job". Instead, we get a proposed tax on our products that would negatively affect our ability to continue our efforts.

This tax is wrong. It is very unpopular with the public, and I encourage you to end this discussion today by voting "no" on this bill.

Thank you for listening to my concerns.

Senate Assessment and Taxation Committee
Testimony re: SB 567, Sweetened Beverage Tax
March 17, 2010

My primary objection to the tax is it is targeted at a specific item. This is discriminatory. The tax not only will cause hardship on those grocery stores and C- store along the borders, but will decrease the consumption of a product that is produced and consumed in Kansas. There are over 2000 workers in the State of Kansas, directly employed by the beverage industry. Not counting the thousands of other jobs in related industries.

I see a decrease in my sales, because of an increase in the cost of beverages. We already have seen a decrease in beverage purchases over the past few years because of increase prices. If we have to pass along more increases, it will continue to erode our sales. As our sales go down, our purchases reduce, causing a need for fewer and fewer employees in the soft drink segment of our business.

Most of these are good paying jobs, bottling line workers, truck drivers... these are not minimum wage job, but jobs with benefit. As my margins continue to erode, I have to make decisions on my staffing levels, as well. If I have to continue to raise may prices, I lose a percentage of my patrons and those that I don't lose change their purchasing, to reduce their cost. This causes me to reduce my staff, putting more good, hard working people on the state unemployment rolls. We all know how that is doing, today.

Please do not vote for the passage of SB567.....it's not good for business and it's not good for Kansas

Bob Carmichael
Managing Partner
Topeka Hospitality LC

Testimony re: SB 567, Sweetened Beverage Tax
Senate Assessment and Taxation Committee
March 17, 2010

by

Linda Giles, Secretary Treasurer, Teamsters Local 41, Kansas City

My name is Linda Giles. I am the Secretary Treasurer for Teamsters Local 41 in Kansas City. I represent Teamsters employed by both Coca Cola and Pepsi Cola.

I represent Teamsters throughout the area who are opposed to the unfair taxes that are being contemplated by the Kansas Legislature.

This tax bill will, without doubt cost these companies good paying jobs, both in management and on the Union side.

These companies already pay their fair share of the tax burden.

This kind of tax can only hamper these Companies in their struggle to remain profitable amid the current economic conditions. Although they haven't been affected as badly as some companies we represent, there have still been many financial issues they have had to deal with. These companies that employ our members pay decent wages and provide our members with secure long term employment and many benefits. Our members also pay taxes that this State benefits from. The more money our people earn the more taxes they pay. Now this State is proposing a tax that will penalize our people by costing us jobs plus our people will pay more at the store when they buy their own products.

As anyone in this building should know good jobs with profitable companies are needed to keep any State financially viable.

This kind of tax penalizes these companies and all their employees, No matter their position.

We ask that the Legislature vote against this unfair tax. Thank you.

March 17, 2010

Testimony of Mike Meurer

***President Mid-America Automatic Merchandising Association
CFO Treat America Food Service, Merriam KS
Resident of Shawnee KS, Johnson County***

**Before the Kansas Senate Assessment and Taxation Committee
RE: SB 567**

Good morning, Chairman Donovan and members of the Senate Assessment and Taxation Committee. Thank you very much for the opportunity to present comments in opposition to SB 567.

I am here today as a CFO of Treat America Food Services, a Kansas based Vending and Food Service Company; the President of Mid-America Merchandising Association, which is a trade association covering Kansas; and as a resident of Kansas to oppose Senate Bill No. 567 imposing a tax on sweetened beverages.

During this historical recessionary time when Kansas and its hard working families cannot afford to lose more jobs, our industry has worked extremely hard to avoid mass layoffs and this bill would work directly against that effort.

This recession has definitely hurt our industry. Our primary operations are to provide convenience to businesses so their team members can be refreshed and energized at work. However, as businesses are reducing their workforce, we are losing sales and thus have to tighten our belts and struggle to keep our own team members employed. Such a tax at this time could really harm our industry, and cost jobs.

Furthermore, the Vending Industry has a unique sales channel where it is very difficult to implement any type of sale tax increase. A vended sales price includes sales tax and all products are sold in increments of five cents. As such, we typically are not able to pass along sales tax increases to our customers as prices are often set and increases are usually difficult to obtain.

We certainly understand and appreciate the challenging situation the State of Kansas has with the budget shortfall crisis and we will always work hard to support our state, but imposing an increase on sales tax for sweetened beverages will likely further reduce our economic 20 to 30 percent decline in sales and cut already stressed margins putting our business and industry at risk.

With respect to obesity, our industry certainly recognizes there is a problem with obesity which is why many vending operators are creating healthy choice programs. For example, our Company created a

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program called "The Right Choice for a Healthier You" which implements choices for our consumers. We have even gone as far as creating a plan with a customer to provide only healthy choices in the vending machines we place at their location. However, we strongly oppose this unfair and targeted tax because it singles out one segment of the food industry to combat the societal issue of obesity. The rise in obesity is the result of many complex factors, and targeting one product will not solve the issue.

In addition, the taxation of one product over another not only discriminates against that product and its manufacturer, but against the citizens who purchase it. Residents of Kansas don't like it when our government officials use taxation to tell them what to eat and drink, even if we might agree there is a problem. Obesity should be managed by the decisions a person makes relating to overall diet and exercise, not by government or taxes.

As an example, I have 3 kids who are all very active, but each has a different build and each one of them has been coached to make the appropriate choices to keep them healthy. I have a son who has a very thin build and a higher metabolism and we allow him to drink sugar beverages not only because he is thin, but it helps replenish some of his blood sugar after he exercises. My other son, who has a bigger build and slower metabolism, drinks sugar free beverages to help manage his weight. I should not be penalized by paying a tax on beverages when in fact it doesn't cause my son to obese. The point here is, sugar drinks in themselves do not make you obese, but poor dietary decision making and the lack of exercise are the major contributing factors.

As a representative of the industry, a hard working citizen of Kansas, a parent, and for the reasons I have stated here, I strongly encourage you to oppose any tax on sugar sweetened beverages.

Thank you again for the opportunity to speak.

Senate Assessment and Taxation Committee
Testimony Re: SB 567, Sweetened Beverage Tax
March 17, 2010

Mr. Chairman and members of the Senate Assessment and Taxation Committee:

Thank you for allowing me the opportunity to speak with you today about a topic that is important to me, Senate Bill 567. My name is Alison Leiszler with Leiszler Oil. My family has sold fuel in Kansas since 1932. We operate 14 convenience stores, 11 commissioned sites and also wholesale fuel throughout the state. We currently employ 169 people. In 2009 we paid \$3,220,359.66 in wages and benefits. Also in 2009, we paid \$236,060.00 in Federal and State income tax, and \$210,132.97 in property tax. We remitted \$1,015,449.74 in sales taxes and \$9,501,374.88 in motor fuel tax.

In preparing myself to speak on Senate Bill 567 the first question I wanted to answer is would Senate Bill 567 improve health quality and increase tax revenue. The answer is no; according to Agriculture Information Bulletin No 747-08, by the USDA they found that "imposing taxes on the order of 1 cent per pound ... is unlikely to have much influence on consumer diet quality or health." And the article goes on to say that "relatively lower tax rates imply a very narrow range for tax revenues."

The second question I wanted to answer is would Senate Bill 567 hurt the convenience store industry. That answer is yes. According to Economic Information Bulletin Number 29-5 by the USDA a "10 percent increase in soft drink price would lead to an 8 percent reduction in soft drink consumption." The following calculations are made using the assumption that 20 ounce bottles of pop are representative of items subject to this tax. The average price of a 20 ounce bottle of pop is \$1.49. This tax would increase that price by 20 cents per bottle minimum, a 20% increase. This would in turn lead to a 16 percent reduction in purchases. During fiscal year 2008 we sold \$2,250,448.80 in the packaged beverage category. Assuming that 80 percent of our sales are of "sugar" beverages this would mean a reduction in sales of \$288,057.45. This reduction in sales would eliminate \$31,141.34 in wages each year. If you would add to this fountain drink sales the potential loss in wages is over \$50,000.00. Our employees would either suffer reduced hours or loss of a position; many of our employees would lose their health insurance coverage that we pay hundred percent of the premium if they were forced to go from full time to part time.

In conclusion, my research shows that this tax would not improve health quality, that it would not have much impact on tax revenue, but that it would significantly hurt the convenience store industry and our employees. Hearing this, I encourage you to vote no on Senate Bill 567.

Respectfully,

Alison Leiszler
Leiszler Oil
dba Short Stop
635 W. Crawford
Clay Center, KS 67432

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3-17-10

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March 17, 2010

Memorandum:

To: Senate Assessment and Taxation Committee
From: Susie Coleman
Re: Testimony Opposing SB 567

Mr. Chairman, and Members of the Senate Assessment and Taxation Committee.

Thank you for the opportunity to appear before you today in opposition to Senate Bill 567.

My name is Susie Coleman; I work for a Kansas based company, Carter Energy Corporation which represents over 200 independent gasoline and convenience stores in Kansas. We also represent marketers in Missouri, Oklahoma, Texas, Arkansas and Iowa. Our customers in Missouri and Oklahoma would like to thank you for all the new business they receive from Kansas! Less gasoline taxes, tobacco and cigarette taxes and now even the Pepsi drinkers will be coming over if the SB 567 is enacted. Is this not embarrassing? Do you realize how many consumers (aka tax payers) cross the border to spend their hard earned cash in the bordering states? QuikTrip, the Oklahoma based company spent well over a million dollars to move 100 feet-into MISSOURI! They took some serious revenue with them, sales taxes, withholding taxes, gas taxes, tobacco taxes, etc. Consumers at this Missouri QT saved 50 cents tax on a pack of cigarettes, 7 ½ cents per gallon of unleaded and the store could sell full strength beer and other liquor! Soon will they be able to buy a Coke cheaper too? You can tax people to change their behavior for awhile. They will just find other avenues to get what they want. But the QT move should speak volumes about where our revenue is going, and I would hope it would make you seriously reconsider yet another tax that would cost the convenience store industry more sales and more customers. We have carried the burden much too long. We are losing business and are begging you to stop, and please reconsider the moves you are making. Your actions could/would have a dramatic affect on an industry that employs thousands of Kansans...at least as of today!

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Attachment # 21

Before the Senate Assessment and Taxation Committee

SB 567

Dick C. Stoffer, Registered Lobbyist, Hy-Vee, Inc

March 17, 2010

Mr. Chairman and Members of the Committee:

My name is Dick Stoffer, I am the Director of State Government Relations for Hy-Vee, Inc. and I am an employee owner of Hy-Vee, Inc., for the past 20 years. I appreciate the opportunity to comment in opposition to SB 567.

I come here to today on behalf of the over 3,500 Hy-Vee employee-owners in Kansas located in 14 stores in primarily the Northeastern part of the state of Kansas.

With most of our sales located near the eastern border of the state we would see a significant reduction in sales at our locations. Our customers would seek other stores across the street in Missouri to purchase their sugared beverages.

Furthermore this would add to the additional burden on lower income groups, which in the end will put additional burden on lower income groups of which are our customers.

Please stop this type of targeted tax to a problem which needs education, not taxation.

Respectfully Submitted,

Dick C. Stoffer
Director of State Government Relations
Hy-Vee, Inc.
5820 Westown Parkway
West Des Moines, Iowa 50266
dstoffer@hy-vee.com
515-267-1770
www.hy-vee.com

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Attachment # 22



AMERICANS FOR PROSPERITY

K A N S A S

March 17, 2010

Senate Bill 567
Senate Taxation Committee

Mr. Chairman and members of the committee,

I am proudly before you today, representing the nearly 40,000 members of Americans for Prosperity-Kansas.

AFP opposes SB 567, which would raise the state sugar beverage tax at a rate of a penny for every teaspoon per sugar. If enacted, this tax hike would increase the cost of a twelve ounce can of pop by ten cents and would place Kansas retailers at an even larger competitive disadvantage to their counterparts in neighboring states.

The Legislature should be mindful of the presence the beverage industry has in Kansas. This is an industry that employs approximately 2,000 workers that are paid hundreds of millions of dollars in wages and benefits. Further, the beverage industry generates more than \$200 million annually in state and federal taxes.

Enacting a "soda pop" tax may not be as popular as some may think. According to a Rasmussen poll, only eighteen percent of Americans support the idea of an "obesity tax" similar to the one proposed in the state of New York.

During a period of just six fiscal years (FY 2004-2009) state general fund spending increased by a staggering 40%, while receipts increased by more than 23%. Just two and a half years ago, the state had a surplus of \$935 million. If we just would have spent what we took in, we would have had nearly a \$1 billion surplus going into last year. With this record of excessive spending and poor budgeting, the last thing that should be done is to shift the burden to Kansas families and businesses in order to pay for state government's spending problem.

Kansas' tax environment is already uncompetitive, and AFP supports efforts to lessen the tax burden on Kansas businesses. It can be argued that Kansas families and businesses are already overtaxed and that the state receives plenty of tax revenue. When looking at the time frame beginning in 2001 and ending in 2008, individual tax receipts increased by 47% with individual income tax receipts increasing by 46%. During that same time period, business tax receipts increased by 83% with the corporate income tax realizing an increase of 104%.

The following chart indicates Kansas' tax rates compared to our neighboring states:

	Top tax rate for individual with \$50,000 taxable income	Tax burden for individual with \$50,000 taxable income	Top Corporate Income Tax Rate	Sales Tax Rate	Gas Tax	Per Capita Property Tax Collections (2005)
Colorado	4.63%	\$2,315	4.63%	2.90%	\$0.22	\$1,057
Kansas	6.45%	\$2,753	7.05%	5.30%	\$0.24	\$1,127
Missouri	6.00%	\$2,740	6.25%	4.23%	\$0.18	\$811
Nebraska	6.84%	\$2,660	7.81%	5.50%	\$0.26	\$1,198
Oklahoma	5.65%	\$2,508	6.00%	4.50%	\$0.17	\$486

With 33 percent of the Kansas population residing in a county bordering Missouri, we must take into account the effect legislation like this would have on our retailers. Considering that Kansas retailers already face a competitive disadvantage when looking at sales tax, tobacco tax, and gas tax, the last thing that this legislature should do is increase the sugar beverage tax.

How many times does the economic truism of "the more you tax something, the less of it you'll get" need to be proven before we learn this simple economics lesson.

Increasing this tax or any other tax would only exacerbate the problem.

Derrick Sontag
 State Director
 Americans For Prosperity-Kansas



**Written Testimony before the Senate Assessment & Taxation Committee
SB 567 – Sweetened Beverage Tax Increase
Submitted by J. Kent Eckles, Vice President of Government Affairs**

Wednesday, March 17th, 2010

The Kansas Chamber of Commerce appreciates the opportunity to present testimony in opposition to SB 567, which would impose a sweetened beverage of \$.01 per teaspoon of sugar.

The committee has previously heard the Chamber testify against the proposed sales tax increase bill (**SB 516**) and from a state competitiveness standpoint, our position remains the same: Our peer states are already salivating at the prospects of both a sales tax & tobacco tax increase (**S. Sub to HB 2388**). You can now add the proposed doubling of the liquor gallonage tax (**SB 569**) and this bill (**SB 567**) to the list of tax increases our competitor states would like to see Kansas enact.

Simply put, this bill is not about fighting obesity since not one cent of the “revenue enhancements” is set aside to combat obesity in Kansas. It’s all about collecting revenue on the back of Kansas businesses, which are the very entities who fund state government. When they are profitable, the state profits from new revenues. This tax will only serve to hamper job creation and investment in the state and sends precisely the wrong signal to those wishing to do business in Kansas.

Furthermore, this tax is targeted and discriminatory and raises the fair question of what else will be taxed? There are plenty of products deemed “unhealthy” and they’re not being discussed for targeted tax increases, yet it’s the beverage industry that actually has been proactive in fighting obesity with healthier products and limiting their products in schools throughout the state.

We urge the Committee to not pass SB 567.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.





**LEAWOOD
CHAMBER
OF COMMERCE**

Building Connections, Building Community

March 17, 2010

2010

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- ✦ Commerce Bank
- ✦ Menorah Medical Center
- ✦ Shawnee Mission Medical Center
- ✦ St. Joseph Medical Center
- ✦ Town & Country Bank
- ✦ Town Center Plaza

*The Leawood Chamber of Commerce respectfully submits this testimony to the Senate Assessment & Taxation Committee regarding **SB 567**.*

The Leawood Chamber wishes to express its concern regarding the implications of SB 567 regarding the taxing of naturally sweetened beverages.

While making no value judgments regarding the health issues surrounding this legislation, our concern centers around singling out a particular Kansas industry and putting its products at a competitive disadvantage when compared to other surrounding states, as well as the uncertain potential for net added revenue for the Kansas budget.

2010

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Dunn, *Advisory
Director*

For many years, the Leawood Chamber's legislative position statement has included language that stresses fair competition in the marketplace. When Kansas retailers, including grocery stores, convenience stores, and restaurants, that sell beverages containing the natural sweeteners targeted in this legislation, are put at a competitive disadvantage due to higher costs for their products, this is not a positive outcome for Kansas businesses. This kind of tax, can, and will, reduce retail sales in Kansas, thereby reducing State and local sales tax revenue in Kansas. It is especially a concern for retailers in Kansas counties that border other states, such as Missouri, Oklahoma, Nebraska, and Colorado. Since Johnson County is one of the most populous counties in Kansas, any retail sales leakage into neighboring states will have a definite negative impact on sales tax collections in Kansas.

This legislation also targets a small segment of businesses in Kansas, and creates an additional regulatory burden on these businesses to collect this tax on behalf of the State of Kansas, before selling its products to Kansas retail businesses for ultimate sale to consumers.

If in fact, this additional tax results in decreased sales of these naturally sweetened beverages, ultimately the profits of Kansas businesses will decline, and retail sales will decline, thereby resulting in lower retail sales tax collections for the State of Kansas and our cities and counties. Many of the sweeteners used in these beverages are produced from high fructose corn syrup, a product of corn grown by Kansas farmers. Reducing the demand for crops grown by Kansas farmers is another possible negative outcome of this legislation, again targeting a specific industry in our State.

We urge you to also carefully consider the administrative costs associated with implementing this new tax on consumers against the potential benefits.

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LEAWOOD
CHAMBER
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- ✦ St. Joseph Medical Center
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Thank you for considering our testimony, and we hope that the issues mentioned herein are of value in your deliberations.

Respectfully,

Kevin W. Jeffries
President & CEO

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Director*

25-1

John Laurie

3/17/10

Good morning:

My name is John Laurie; I am presently an Asst. Professor at Baker University, in Overland Park, Kansas.

I consider myself simply a "character witness" for both Coca Cola and Pepsi products. I have been a school administrator in Missouri (11 years) and Kansas, over 30 years!

Specifically, from 1999- 2007, I was principal of Shawnee Mission West and Blue Valley West in Overland Park.

The men and women that I worked with at Pepsi, while I was a high school principal in Overland Park, were all very interested in regularly "giving back" to the school and the community.

They would provide funding for our:

Athletic needs

Scholarship recognition

Community projects

As well as staff recognition

The second comment I would like to make about Pepsi specifically, but I believe Coca Cola did the same; is to recognize the fact they took the initiative in our school district by addressing childhood obesity concerns, and removed 90% of the calories in their products from our vending machines before they were required by law to do so.

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I know this reduced the profits they received from our school, and I appreciated their efforts to help with the childhood obesity concern.

In summary, and by someone still associated with education at the University level, I am deeply concerned by the financial situation that our State and specifically our schools find themselves in at thistime.

I fully understand and support the blatant fact that things must be done differently in order to put our finances back in good shape.

I believe the beverage companies that I have been associated with over my school administration years have been a good partner, and as I have briefly described today, helped accomplish many things that we would not have been able to do without their assistance.

Thank you.



March 15, 2010

Senate Assessment & Taxation Committee
Kansas Senate
300 SW 10th Street
Topeka, KS 66612-1504

Dear Committee Members:

On behalf of the Grocery Manufacturers Association (GMA), I am writing to express our opposition to Senate Bill 567, scheduled for hearing on Wednesday, March 17.

The Grocery Manufacturers Association (GMA) represents the world's leading food, beverage, and consumer products companies. The association promotes sound public policy, helps to protect the safety and security of the food supply through scientific excellence, and champion's initiatives that increase industry productivity and growth. The GMA board of directors is comprised of 52 chief executive officers from the Association's member companies. GMA member companies employ 14 million workers, including over 10,000 employees at 52 facilities in Kansas.

There are several reasons why Kansas should not pass a selective tax on sweetened beverages. Placing a tax on one category of beverage and excluding other items leads to consumer confusion and establishes preferences that may unfairly affect consumer-purchasing decisions.

Furthermore, SB 567 is a regressive tax that disproportionately discriminates against households with lower incomes that may have fewer affordable beverage options and are least able to afford an extra tax burden. The taxation of one product over another not only discriminates against that product and its manufacturer, but against the citizens who purchase it. Ultimately, Kansas consumers pay the tax, and households with lower incomes are disproportionately affected.

Furthermore, the tax envisioned in SB 567 results in confusion for manufacturers, retailers and consumers as to exactly what products would be subject to the tax and for what purpose these products are being taxed. As written, this bill creates a situation in which many similar beverages within a category will receive different tax treatment based on their ingredients and formulations,

GMA supports a fair, competitive marketplace for grocery and consumer packaged products; we oppose taxation of selected food or grocery products because these taxes are arbitrary, discriminatory, regressive, inefficient, and create competitive disadvantages. SB 567 seeks to arbitrarily single out one segment of the entire food and beverage industry for selective tax treatment. For the reasons noted above, we respectfully request your NO vote on SB 567.

Sincerely,

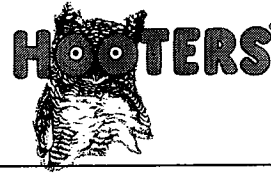
A handwritten signature in black ink, appearing to read "Kevin Fisk", with a horizontal line extending to the right.

Kevin Fisk
Director, State Affairs

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3-17-10

Attachment # 27

GROCERY MANUFACTURERS ASSOCIATION



**Testimony RE: SB 567 – Tax on Sweetened Beverages
Senate Assessment and Taxation
March 17, 2010**

Chairman Donovan and Committee Members:

My name is Scott Black and I am a Regional Manager for Hooters of America, Inc. and member of the Kansas Restaurant and Hospitality Association. My company owns and operates 5 restaurants in Kansas.

I am writing to you today to express my concern regarding SB 567. I strongly disagree with a soda tax as a means to raise revenue for the state.

How much sales tax revenue would be lost if people could no longer afford to patronize full service restaurants as frequently as in the past or opt for tap water instead of paying for an overpriced soda?

Restaurants would contribute more to the overall economy by increasing guest counts, thereby increasing sales tax. Imposing more taxes only makes it harder to operate and maintain profitability without passing those expenses on to our guests. The Beverage Companies will surely increase their prices on products to compensate for the tax.

IF we do not increase OUR prices, cuts will have to be made elsewhere. Reducing labor dollars to hourly employees will only force them to seek secondary jobs to make ends meet. Eliminating positions will only add to unemployment rates, adding to an already overburdened system.

We are already operating on thin margins because of declining sales and increases on product costs. Increased prices will force consumers to change their spending habits. They will choose to dine at Quick Service Restaurants at cheaper prices, opt for a beverage that does not come with a tax, or simply dine at home. In any case, Full Service Restaurants have a lot to lose. This tax will only make it harder to stay in business and continue employing thousands of Kansans, not to mention resulting in millions of dollars in lost State Sales Tax Revenue.

How could any of that be in the best interest of the people of Kansas? We strongly urge you to oppose SB 567.

Scott Black
Regional Manager
Hooters of America, Inc.

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