



IMPACT OF THE KANSAS INDOOR CLEAN AIR ACT ON RESTAURANTS AND BARS

Introduction

Kansas implemented a statewide ban on smoking in most public places on July 1, 2010. The law was intended to protect the public health by reducing exposure to secondhand smoke, which a large body of research shows is harmful to health. However, questions have been raised about whether the ban has reduced sales in the Kansas hospitality industry, specifically restaurants and bars.

This brief examines the financial effect of the Kansas Indoor Clean Air Act on restaurants and bars, and concludes that the statewide smoking ban does not appear to have had an overall negative effect on food and liquor sales in restaurants and bars.

Background

Exposure to secondhand smoke endangers health in several ways. Research has shown that it can even trigger an immediate increase in a person's risk of suffering a heart attack. In order to lower that exposure, the 2010 Kansas Legislature passed

the Indoor Clean Air Act. The law prohibits smoking in most public areas including places of employment, restaurants, bars and the lobbies and hallways of apartments and motels. Outdoor smoking close to doorways and windows of non-smoking buildings is also prohibited.

The law includes some exceptions to the ban. Those include tobacco shops, the gaming floors of casinos, up to 20 percent of motel rooms and certain kinds of private clubs. However, restaurants and bars open to the general public must remain completely smoke-free.

Prior to the implementation of the statewide law, many Kansas cities and counties had enacted their own smoke-free policies. Those policies provided various levels of protection from secondhand smoke exposure to more than 60 percent of Kansans as illustrated in Figure 1 (page 2). The state law superseded those ordinances and created a statewide policy.

Local governments can impose more restrictions on smoking in public places, but cannot weaken the statewide policy.

KEY POINTS

- Smoking bans have not been associated with decreased overall sales in Kansas restaurants and bars.
- Smoking bans have not been associated with a reduction in the number of Kansas establishments serving liquor.
- Studies from other states consistently conclude that smoking bans do not depress sales for restaurants and bars.

Data and Interpretation

To examine the impact that the statewide ban had on restaurant and bar sales, KHI gathered sales data and liquor license data for eight years prior to implementation of the statewide ban and for two full years following its implementation. We examined data from the Kansas Department of Revenue in three broad categories:

- 1) Sales of food and other non-liquor items subject to state sales tax at full service restaurants, limited-service eating places, special food services establishments and drinking places. The first three types of establishments primarily serve food. Drinking places receive the majority of their income from the sale of liquor, but may also have food sales. However this category of sales does not include any sales of liquor.
- 2) Sales of liquor subject to the state liquor excise tax. Sales in this category include all liquor-by-the-drink sales in restaurants and bars. However, because the liquor excise tax is collected differently than the sales tax, the

Department of Revenue reports all receipts together rather than separating full-service restaurant sales from drinking place sales.

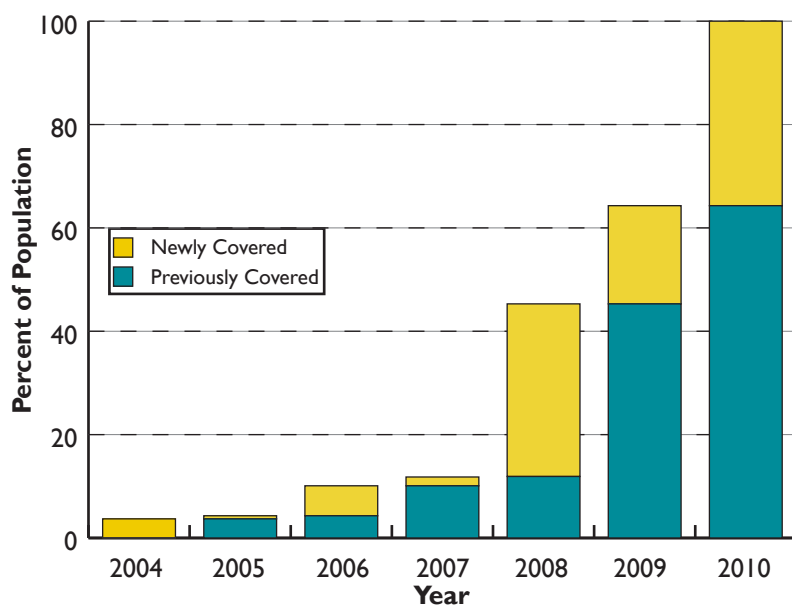
- 3) The number of alcoholic beverage licenses issued for drinking establishments which includes both bars and restaurants that serve alcohol, private clubs, hotels and caterers, and microbreweries.

Table I shows all of the actual data for the eight years leading up to implementation of the Kansas Indoor Clean Air Act and for the first two years after. However, because most Kansans already lived in areas covered by a local smoking ban before the statewide ban took effect, a more complex review of the data was required than simply looking at the year before and the year after. Table I also shows a timeline of when local bans took effect.

Sales of non-liquor items increase steadily each year except for a slight drop in FY 2010, but the drop in sales precedes the implementation of the Kansas Indoor Clean Air Act. Then, sales increase again each year after the statewide ban takes effect. Similarly, liquor sales also increase each year until FY 2010, and then dip slightly for one year before increasing again in the two years following the enactment of the statewide ban.

The 10-year pattern for restaurant and bar sales follows the larger Kansas economic pattern and gives no indication that smoking bans, either local or statewide, had any measureable detrimental effect. Figure 2 (page 4) depicts the trend of liquor and food sales in restaurants and bars and also shows the share of all taxable sales in Kansas that restaurants and bars represent. Total taxable sales in Kansas grew each year from FY 2003 through FY 2007, but then dropped in FY 2008, and dropped again in FY 2009 and FY 2010 as Kansas went through a period of economic recession. Restaurant and bar sales followed a similar

Figure 1. Percent of Population of Kansas Residents Covered by ANY Smoking Ban, 2004–2010



Source: KHI analysis of smoking bans in Kansas.

pattern, but did not dip as obviously during the recession. In this ten-year period, restaurant and bar sales have steadily increased as a percentage of total taxable sales, starting in FY 2003 as 7.8 percent of total sales and increasing each year, even during the recession, until reaching 9.8 percent of total sales in FY 2011.

Alcoholic beverage license data also shows that neither the local ordinances nor the statewide smoking ban were associated with any reduction in the number of establishments serving alcohol. The number of licenses issued in the main category of drinking establishments increased in each of the years for which we reviewed data. The increases have been especially large in the years that smoking bans have been implemented. Only licenses for private clubs have declined and that decline is clearly part of a longer-term trend that started before a large number of local governments had implemented smoking bans. Also, private clubs licensed before January 1, 2009, were given the option to continue to allow smoking after the statewide ban began.

The data does not show a negative effect of the statewide smoking ban on the overall restaurant and bar industry in Kansas. However, the sales at individual businesses could have been affected either positively or negatively by the statewide ban as the marketplace adjusted to the new regulations.

Table 1. Before and After the Kansas Indoor Clean Air Act

Smoking Bans						
Lawrence	Abilene	Olathe	North Newton	Mission	Topeka	Statewide Ban
	Walton	Garden City	Hesston	Maize		
	Bel Aire	JO County	Newton	Prairie Village		
	Fairway		HV County	Wichita		
	Roeland Park		Leawood	Derby		
			Lenexa	Manhattan		
			Overland Park	WY County		
			Winfield	Pratt		
			Shawnee	PR County		
			Westwood	Emporia		
			Ottawa	Salina		

Restaurant and Bar Sales (Dollars in Millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Liquor Sales in Restaurants and Drinking Places	\$275	\$287	\$298	\$321	\$343	\$356	\$366	\$358	\$360	\$381
Food and Other Non-Liquor Sales:										
Full-Service Restaurants Sales	\$1,259	\$1,048	\$1,065	\$1,139	\$1,192	\$1,300	\$1,318	\$1,261	\$1,269	\$1,403
Limited-Service Eating Places Sales	\$889	\$1,219	\$1,260	\$1,294	\$1,342	\$1,387	\$1,401	\$1,372	\$1,409	\$1,429
Special Food Services Sales	\$30	\$41	\$46	\$49	\$54	\$53	\$50	\$47	\$51	\$60
Drinking Places Sales	\$208	\$204	\$254	\$362	\$387	\$396	\$392	\$401	\$450	\$448
Total Liquor and Food Sales	\$2,661	\$2,799	\$2,923	\$3,165	\$3,318	\$3,492	\$3,527	\$3,439	\$3,539	\$3,721
Alcoholic Beverage Licenses Issued:										
Drinking Establishments	1,380	1,469	1,485	1,553	1,598	1,619	1,636	1,665	1,695	1,697
Private Clubs (Class A and B)	500	488	469	465	455	446	433	424	403	397
Caterers and Hotels	132	141	153	159	160	175	191	201	221	215
Farm Winery Outlets and Microbreweries	21	26	30	36	41	41	46	46	57	60

Source: KHI analysis of smoking bans in Kansas.

Other Studies

The conclusion that the Kansas Indoor Clean Air Act was not associated with a drop in restaurant and bar sales in the state is consistent with the results of peer-reviewed studies from around the United States. Those studies also found no broad evidence of an association between smoking bans and long-term negative economic impacts on the restaurant and bar industry.

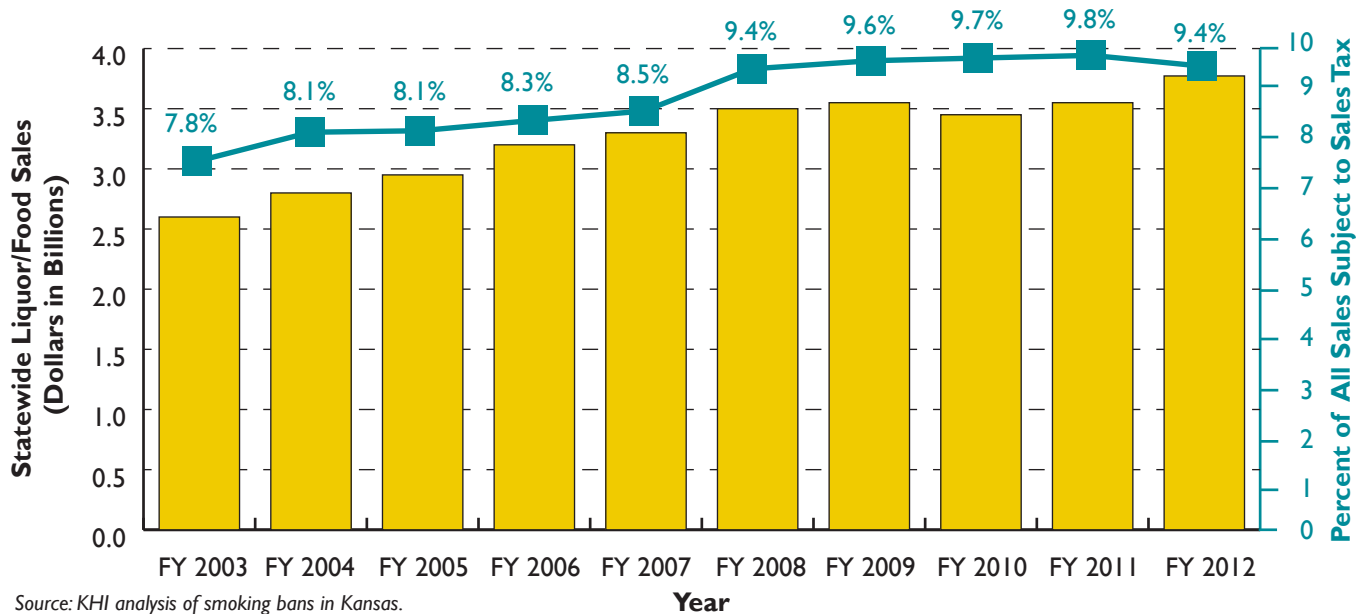
A comprehensive review by E. J. Hahn, published in the *American Journal of Preventive Medicine* in 2010, examined multiple economic studies of smoking bans, and concluded that there was no evidence of smoke-free legislation negatively impacting businesses. Two recent studies from Minnesota and Missouri also found no evidence of economic harm from smoking bans implemented in those states. The 2012 study of eleven Missouri cities not only concluded that there was no economic harm, but that smoking bans contributed to significantly increased

restaurant and bar sales in eight of the eleven cities studied.

Policy Implications/Conclusion

Policymakers will likely continue to review the Kansas Indoor Clean Air Act and may consider changes that either make the ban more comprehensive or allow more exemptions. If the primary goal is protecting public health, then policymakers may want to repeal some or all of the existing exemptions, thereby increasing the number of public places covered by the ban. If, on the other hand, the primary concern of policymakers is protecting the prerogatives of private businesses, then preserving or even expanding the number of exemptions to the smoking ban could achieve that objective. However, as this analysis makes clear, there is no apparent evidence that smoking bans in Kansas have been associated with a decrease in statewide restaurant and bar sales, or with a decrease in the number of establishments serving liquor.

Figure 2. Statewide Liquor/Food Sales and Percentage of All Statewide Retail Sales



Source: KHI analysis of smoking bans in Kansas.

About the Issue Brief

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KANSAS HEALTH INSTITUTE

The Kansas Health Institute is a nonprofit, nonpartisan, independent health policy and research organization based in Topeka, Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, the Kansas Health Institute conducts research and policy analysis on issues that affect the health of Kansans.

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