

Approved _____
Date _____

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Edward F. Reilly, Jr. at _____
Chairperson

11:00 a.m./~~xxxx~~ on January 19, 1983 in room 254-E of the Capitol.

All members were present. ~~except~~

Committee staff present: Fred Carman, Assistant Revisor of Statutes
Russell Mills, Legislative Research
June Windscheffel, Secretary to the Committee

Conferees appearing before the committee: James R. Turner, Kansas Savings & Loan League
Jamie Schwartz, Kansas Department of Economic Development
General Thomas Kennedy, Alcoholic Beverage Control
Trudy Racine, Senior Auditor, Post Audit Division
Glenn Deck, Director of Performance, Post Audit Division
Albert D. Lollar, Kansas Retail Liquor Dealers Association

The Chairman introduced Jim Turner who distributed a proposal for the committee to consider. Mr. Turner stated that the proposal related to federal exemption bonds and state agencies, and that he felt this the appropriate committee in which it be heard. The proposal concerns the establishing of a Kansas Housing Finance Agency. A copy of the proposal is attached. (Attachment #1)

Jamie Schwartz also appeared in support of the proposed legislation.

Senator Morris moved that the proposed legislation be introduced as a committee bill. 2d by Senator Gannon. Motion carried. The Chairman instructed the staff to go over the proposal and see that the proper bill is drafted.

The Chairman then referred the committee back to the Concerns or Proposals for Legislative Action (Attachment #7 of the Minutes of January 18, 1983.)

General Kennedy also distributed a Memorandum re: Recommendations covering Legislation this 1983 Year, dated January 19, 1983, (Attachment #2) and stating the recommendations are submitted about the concerns or proposals discussed during the overview briefing, pursuant to the request of the committee.

There was discussion concerning the concerns or proposals from both the Post Audit Division and the Alcoholic Beverage Control.

Albert Lollar stated, when queried, that concerning item #6, (Should restrictions on business operations in the industry that appear designed to protect the industry, not the public, be eliminated?), their organization had no complaints. They do feel that some protection for the small retailer in the outlying area is needed, however.

The meeting adjourned at 11:00 a.m.

1/19/83
Attachment # 1

_____BILL NO. _____

AN ACT establishing the Kansas Housing Finance Agency; prescribing the powers, duties and authority of such agency; providing for the administration and operation of such agency and the financing of its operation and programs.

BE IT ENACTED by the Legislature of the State of Kansas:

Section 1. This Act shall be known and may be cited as the Kansas Housing Finance Agency Act.

Section 2. In this Act the following words, as used in this Act, shall have the meanings set forth below, unless the context clearly requires otherwise:

- (a) "Act" means the Kansas Housing Finance Agency Act.
- (b) "Agency" means the Kansas Housing Finance Agency created by the Act.
- (c) "Board" means the board of directors of the Agency.
- (d) "Bond" means any type of obligation, including without limitation, any bond, note, bond anticipation note, construction loan note, or other evidence of indebtedness, general or special, negotiable or non-negotiable, in bearer or registered form, with or without interest coupons and regardless of the source of payment.
- (e) "Director" means a member of the Board.
- (f) "Housing" means single family and multi-family dwellings, and facilities incidental or appurtenant thereto, including Non-institutional Residential Care Facilities.
- (g) "Housing Improvement" means, with respect to any existing Housing, repairs, alterations and improvements which substantially protect and improve the basic livability or energy efficiency of such Housing. Repairs, alterations or improvements that improve the basic livability or energy efficiency of Housing include, without limitation, renovation of plumbing or electric systems, installation or improved and efficient heating or air-conditioning systems (including solar heating or cooling systems and other renewable energy systems), renovation or installation of a kitchen area and installation of equipment and material which will reduce the energy consumption of such Housing (for instance, installation of insulation and storm windows). With respect to Single Family Housing items which do not improve basic livability include swimming pools, tennis courts, hot tubs, saunas or other recreational facilities.

Atch. 1

(h) "Housing Development" means buildings, land, equipment, facilities, or other real or personal property which is necessary or convenient in connection with the provisions of Housing, including, without limitation, streets, sewers, utilities, site preparation, landscaping and other non-Housing facilities, such as administrative, community, health or recreational facilities which the Agency approves.

(i) "Housing Sponsor" means individuals, joint ventures, general or limited partnerships, trusts, firms, corporations, cooperatives, local public entities, local governmental units, or other legal entity, or any combination thereof, approved by the Agency as qualified either to own, construct, acquire, rehabilitate, operate, manage or maintain a Housing Development, whether for profit or not for profit, subject to the regulatory powers of the Agency and other terms and conditions set forth in the Act.

(j) "Mortgage" means a mortgage, or other instrument creating a lien, subject only to title exceptions acceptable to the Agency.

(k) "Mortgage Lender" means any bank, trust company, mortgage company, national banking association, savings and loan association, life insurance company, or any other financial institution authorized to make Mortgage Loans in the State.

(l) "Mortgage Loan" means a financial obligation relating to Single-Family Housing or Multi-Family Housing, whether or not secured by a Mortgage.

(m) "Multi-Family Housing" means a Housing Development consisting of four or more rental units.

(n) "Non-Institutional Residential Care Facility" means any facility providing for a period exceeding 24 consecutive hours accommodation, board, personal assistance and other essential daily living activities to three or more individuals, not related to the owner or administrator thereof within the third degree of consanguinity, who by reason of age, illness, disease or physical or mental infirmity are unable to sufficiently or properly care for themselves, but who do not require the services of a registered or licensed practical nurse except on an emergency basis.

(o) "Single Family Housing" means one, two, three, or four unit Housing.

(p) "State" means the State of Kansas.

Section 3. There is hereby created and established a public and official governmental agency of the State of Kansas, to be known as the Kansas Housing Finance Agency, and the State shall act by and through the Agency in carrying out all powers and duties conferred by this Act. The exercise by the Agency of all powers and duties

conferred by this Act shall constitute and be deemed and held to be an essential public and official governmental function and purpose of the State, acting by and through the Agency, in promoting the general welfare and prosperity of the State and all of its citizens.

Section 4. Is hereby declared that:

(a) The establishment of the Agency is in all respects for the benefit of the citizens of the State of Kansas, for the improvement of their health and public welfare, and for the promotion of the economy, which are public purposes;

(b) As a result of the continuing increases in the costs of construction and rehabilitation, taxes, heating, electricity and other utility expenses, maintenance and repair expenses and the cost of land, there exists within both rural and urban areas of this State a shortage of sanitary and safe residential housing; that this shortage has contributed to and will contribute to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of this State;

(c) This shortage is conducive to disease, crime, environmental decline and poverty and impairs the economic value of large areas, which are characterized by depreciated value, impaired investments and reduced capacity to pay taxes and are a menace to the health, safety, morals, and welfare of the citizens of the State;

(d) Existing State and local agencies have heretofore been unable to adequately eliminate the shortage of sanitary and safe housing;

(e) Private enterprise is unable, without financial assistance, to provide in sufficient quantities the needed construction or rehabilitation of sanitary and safe residential housing and to provide sufficient, affordable long-term mortgage financing for residential housing;

(f) It is necessary to create a state housing finance agency to encourage and promote the investment of private capital and stimulate the construction, rehabilitation and financing of adequate housing through the use of public financing;

(g) All of the purposes stated in this section are public purposes and uses for which public moneys may be borrowed, expended, advanced, loaned or granted.

Section 5. The Agency is hereby granted, has, and may exercise all the general powers needed to carry out its purposes and duties and exercise its specific powers, including, without limitation, the following powers:

(a) To sue and be sued and plead and be impleaded, in its own name; constituting a separate governmental agency and a body politic and corporate of the State, acting for and on behalf of the State.

(b) Adopt and alter bylaws for its management consistent with the provisions of this statute.

(c) Have and alter an official corporate seal.

(d) Make and execute contracts, agreements and other instruments, with any public or private entity in performing its duties and exercising its powers under this Act.

(e) Borrow money through the issuance of its Bonds and secure such Bonds by the pledge of revenues, mortgages and notes of others, and to provide for the rights of the holders of the Bonds in the manner and to the extent permitted by this Act and the Constitution of the State of Kansas.

(f) Designate Mortgage Lenders to act for and on behalf of the Agency, with respect to originating, servicing and processing Mortgage Loans of the Agency, under the terms and conditions agreed upon between the parties; and to provide, contract or arrange for consolidated processing of any aspect of a Housing Development in order to avoid duplication.

(g) Procure insurance against any loss in connection with its operations and property interests, in such amounts and from such insurers, as may be necessary or desirable.

(h) Accept gifts, grants, loans of funds, property or financial or other aid from any federal, State or local agency or any private source.

(i) Fix and collect fees and charges in connection with loans made or other services provided by the Agency pursuant to this Act.

(j) Invest or deposit moneys of the Agency, in any manner determined by the Agency, including, but not limited to, direct obligations of the United States government, obligations, the principal and interest of which are guaranteed by the United States government, certificates of deposit or time deposits secured in such manner as the Agency shall determine, or unsecured promissory notes.

(k) In cooperation with other local, State or federal governmental agencies, conduct research studies, develop estimates of unmet housing needs and gather and compile data useful to facilitate decision making.

(l) Accumulate reserve funds to be used for whatever purposes the Agency shall determine consistent with the purposes of this Act.

(m) Do all things necessary, convenient or desirable to carry out the powers granted or necessarily implied by this Act.

Section 6. The Board of Directors of the Agency, which shall have such powers and duties as are prescribed in this Act, shall consist of seven members, entitled Directors. Each member occupies one of the seven positions on the Board, designated as Positions 1 through 7, as follows:

(a) Position 1 shall be reserved for Governor of the State of Kansas, or his designated representative, who shall serve as Chairman of the Board.

(b) Position 2 shall be reserved for the Attorney General of the State or his designated representative.

(c) Position 3 shall be reserved for the Secretary of the Kansas Department of Economic Development or his designated representative.

(d) Initial appointments and any vacancies thereafter in positions 4 through 7 shall be filled by appointment by the Governor of the State. A vacancy for any reason except for expiration of term shall be for the unexpired term only.

(e) Except for initial appointees, the Directors holding Positions 4 through 7 shall hold office for staggered terms of four years each.

(1) The Directors initially appointed to Positions 4 and 5 shall serve initial terms of two years.

(2) The Directors initially appointed to Positions 6 and 7 shall serve initial terms of four years.

(f) The Board shall select one of its members to serve as Vice-Chairman and one of its members to serve as Secretary.

(g) Each Director is eligible for reappointment.

(h) A majority of the Directors of the Board shall constitute a quorum.

(i) Directors shall receive no compensation, except for reimbursement for actual out-of-pocket expenses incurred in connection with the official business of the Agency.

Section 7. In addition to all other powers, the Agency shall have the following specific powers:

(a) The Agency may, through designated mortgage lenders, make, undertake commitments to make, purchase and participate in the making of Mortgage Loans, including, without limitation, federally insured Mortgage Loans, temporary loans, construction loans, short or long term loans to finance Housing Improvements, and loans to Mortgage Lenders, all for Single Family Housing.

(b) The Agency may make and publish rules respecting the making of Mortgage Loans pursuant to this Act, the regulation of borrowers, the regulation of the Mortgage Lenders and resale and disposition of any real property, and any interest therein financed by the Agency.

(c) The Agency may institute any action or proceeding against any borrower or Mortgage Lender with respect to Mortgage Loans made under the provisions hereof in any court of competent jurisdiction in order to enforce the provisions of this Act, the term and provisions of any agreement between the Agency and such borrower or Mortgage Lender or to protect the public interest, persons and families of Low and Moderate Income, or creditors of the Agency.

Section 8. Loans made by the Agency through designated mortgage lenders shall be subject to the following terms and conditions:

(a) The designated agent of the Agency shall not process an application for a Mortgage Loan for Single Family Housing unless such applicant qualifies under guidelines the Agency shall establish.

(b) A Single Family Mortgage Loan made pursuant to this Act may be prepaid under such terms and conditions decided upon by the Agency.

(b) A single Family Mortgage Loan made pursuant to this Act may be prepaid under such terms and conditions decided upon by the Agency.

(c) The Agency may set the interest rates at which it makes loans and commitments therefor. The interest rates and points to be charged in connection with loans shall be established by the Agency in its sole discretion so as to produce at least the amounts required, together with other available funds, to pay for the Agency's costs of operation and to meet its covenants with and responsibilities to the holders of its Bonds. The provisions of any other provision of law with respect to maximum rate of interest for notes secured by real estate, prepayment penalties with respect to home loans evidenced by a note secured by a real estate mortgage, fees in connection with assumptions of Mortgage Loans, and points and other closing charges to be collected from the borrower shall not apply to Mortgage Loans made pursuant to this Act.

(d) The Agency shall require all Mortgage Lenders who participate in programs financed or assisted by the Agency to agree they will not designate certain areas as unsuitable for the making of Mortgage Loans because of the prevailing income, racial, ethnic or other characteristics of the inhabitants of the area.

Section 9. In addition to all other powers, the Agency shall have the following specific powers:

(a) The Agency may, through designated mortgage lenders, make, undertake commitments to make, purchase and participate in the making of Mortgage Loans to Housing Sponsors of any Multi-family Housing Development as in the judgment of the Agency have promise of supplying well-planned, well-designed apartment or other rental units in a location where there is a need for such housing. The Agency may also make, undertake commitments to make, purchase and participate in the making of loans to Mortgage Lenders in order to provide such Mortgage Lenders with funds which will enable them to make, undertake commitments to make, purchase and participate in the making of Mortgage Loans to Housing Sponsors of any Multi-family Housing Development subject to such terms and conditions as the Agency shall prescribe. Such loans may include construction loans and permanent loans. The Agency may also purchase or participate in the purchase of securities or deposits which are secured directly or indirectly by Mortgage Loans.

(b) The Agency may make and publish regulations with respect to the making of Mortgage Loans for Multi-family Housing pursuant to this Act, the regulation of the Housing Sponsor, the regulation of the Mortgage Lender, the construction of ancillary commercial facilities, and the resale and disposition of any real property, or any interest therein, financed by the Agency.

(c) The Agency may institute any action or proceeding against any Housing Sponsor receiving a Mortgage Loan under the provisions hereof or owning or operating any Housing Development hereunder in any court of competent jurisdiction in order to enforce the provisions of this Act, the terms and provisions of agreement between the Agency and such recipients of loans under the provisions hereof, including, without limitation, provisions as to rental or carrying charges and income limits as applied to occupants or tenants, or to foreclose its Mortgage, or to protect the public interest, or creditors of the Agency. In connection with any such action or proceeding, the Agency may apply for the appointment of a trustee or receiver to take over, manage, operate and maintain the affairs of a Housing Sponsor.

Section 10. Loans made by the Agency under the preceding section shall be subject to the following terms and conditions:

(a) In considering an application for a loan, the Agency shall give first priority to applications for well-planned and well-designed housing developments. The Agency shall also give consideration to:

(1) The ability of the applicant to carry out, operate, manage, and maintain the proposed Housing Development; and

(2) The existence of zoning, protective covenants, or regulations that adequately protect the proposed Housing Development against detrimental future uses that could cause undue depreciation in the value of such Housing Development.

(b) The terms, including the ratio of loan to project value, prepayment provisions and the amortization period of loans made or financed under this Act, shall satisfy such reasonable underwriting criteria as the Agency may prescribe.

(c) Each Mortgage Loan shall be evidenced by a Mortgage on the Housing Development and on all the real property constituting the site of or relating to the Housing Development.

(d) Each Mortgage Loan may be subject to an agreement between the Agency and the Housing Sponsor that subjects the Housing Sponsor and its principals or stockholders to limitations established by the Agency as to rentals and other charges, builders' and developers' profits and fees, and the disposition of its property and on all of the real property constituting the site of or relating to the Housing Development.

(e) The Agency shall require all Mortgage Lenders and Housing Sponsors who participate in programs financed or assisted by the Agency to agree they will not designate certain areas as unsuitable for the making of Mortgage Loans because of the prevailing income, racial, ethnic or other characteristics of the inhabitants of the area..

Section 11. (a) The Agency may participate in all housing programs of the United States Government, including, but not limited to, the program under Section 8 of the United States Housing Act of 1937, as amended (the purpose of such participation being to enable the Agency to obtain, on behalf of the State of Kansas, set-asides of contract authorization reserved by the United States Secretary of Housing and Urban Development for public housing agencies, to enter into Annual Contributions Contracts, and other purposes).

(b) To establish maximum eligibility for participation in such housing programs of the United States Government, the Agency shall:

(1) Develop and implement procedures which will to the fullest possible extent complement housing programs of the United States Government.

(2) Evaluate statewide and local housing needs and develop a program to provide housing in areas of most critical need.

(3) Comply with all documentation and application requirements of federal law.

(c) The Agency may enter into agreements with local housing agencies, and other public or private entities in order to further the purposes of the Act.

Section 12. (a) The Board of Directors of the Agency by resolution from time to time may issue its Bonds in principal amounts as, in the opinion of the Agency, are necessary to provide sufficient funds for achieving its purposes, including the making of eligible loans and the purchase of eligible securities, the payment of interest on Bonds of the Agency, the establishment of reserves to secure such Bonds and the payment of all other expenditures, of the Agency or otherwise, incident thereto.

(b) The Board of Directors of the Agency by resolution from time to time may issue Bonds for the purpose or refunding any Bonds of the Agency then outstanding, including the payment of any redemption premiums thereon and any interest accrued to the date of redemption.

(c) Bonds issued by the Agency shall be payable solely and only out of the moneys, assets or revenues of the Agency, and as provided in the agreement with the Bondholders pledging any particular moneys, assets or revenues. Bonds issued by the Agency are not an obligation of the State or any political subdivision of the State other than the Agency within the meaning of any constitutional or statutory provisions. Bonds issued by the Agency are special obligations of the Agency payable solely and only from the sources provided in this Act, and the Agency may not pledge the credit or taxing power of this State or any political subdivision of this State, or make its debts payable out of any moneys except those of the Agency.

(d) All Bonds issued by the Agency shall be authorized by a resolution of the Board, which resolution shall set forth the details pertaining to the issuance of such Bonds. Such Bonds shall not be subject to the provisions of the general bond law of the State.

(e) Bonds issued by the Agency shall:

(1) State the date and series of the issue, be consecutively numbered unless specified otherwise by the Board and state on their face that the Bonds are payable both as to principal and interest solely out of the moneys, assets and revenues of the Agency and do not constitute an indebtedness of this State or any political subdivision of this State other than the Agency within the meaning of any constitutional or statutory provision.

(2) Be either registered, registered as to principal only, or in coupon form, issued in denominations as the Agency prescribes, signed on behalf of the Agency with the manual or facsimile signature of the chairman or vice-chairman, attested by the manual or facsimile signature of the secretary, have impressed or imprinted thereon the seal of the Agency or a facsimile thereof, and the coupons attached, if any, shall be signed with a facsimile signature of the chairman or vice-chairman.

(3) Be payable as to interest at rates and times as the Agency determines, be payable as to principal at times over a period not to exceed fifty years from the date of issuance, at places, and with the reserved rights or prior redemption, as the Agency prescribes, be sold at prices, at public or private sale, and in a manner the Agency prescribes.

(4) Together with the interest thereon and income therefrom, be exempt from all taxes levied by the State or any political or taxing subdivision thereof.

(5) Be subject to terms, conditions, covenants and other protective provisions safeguarding payment, not inconsistent with this Act, as are found to be necessary by the Agency for the most advantageous sale of the Bonds.

(6) Be sold at either public or private sale on such terms as the Agency shall determine.

(f) Notwithstanding any other provision of law, Bonds issued pursuant to this Act shall be legal investments for all trust funds, insurance companies, savings and loan associations, investment companies and banks, both savings and commercial, and shall be legal investments for executors, administrators, trustees and all other fiduciaries. Such Bonds shall be legal investments for state school funds and for any funds which may be invested in county, municipal or school district bonds, and such Bonds shall be deemed to be received by, any state or municipal officer or by an agency or political subdivision of the state for any purpose for which the deposit of Bonds or obligations of the state is now, or may hereafter, be authorized by law, including deposits to secure public funds.

(g) Neither the members of the Agency nor any person executing its Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Agency's Bonds.

Section 13. If any Director or employee of the Agency has an interest, either direct or indirect, in a contract to which the Agency is, or is to be, a party, the interest shall be disclosed to the Agency in writing and shall be set forth in the minutes of the Agency. The Director or employee having the interest shall not participate in action by the Agency with respect to that contract. Nothing in this section shall be deemed to limit the right of a Director or employee of the Agency to acquire an interest in Bonds of the Agency.

Section 14. This Act, being necessary for the welfare of this State and its inhabitants, shall be liberally construed to effect its purpose.

Section 15. This Act shall take effect and be in force from and after its publication in the statute book.

MEMORANDUM

1/19/83
Attachment #2

TO: Honorable Edward F. Reilly
Chairman, Senate Federal and State Affairs Committee

RE: Recommendations covering Legislation this
1983 Year

FROM: THOMAS J. KENNEDY, Director, ABC Division *TJK*

DATE: January 19, 1983

Pursuant to your request, the following recommendations are submitted about the concerns or proposals that we discussed during the overview briefing:

NUMBER	CONCERNS OR PROPOSAL:	REFERENCE	RECOMMENDATION
1.	Should residency requirement for liquor manufacturers, distributors, retailers and private club licensees be reduced or eliminated?	KSA 41-311	Introduce legislation to reduce state residency from 10 to 5 and county residency from 5 years to one or two years for retailers. Leave other residency requirements as they are.
2.	Is the level of fees (license and registration) set by statute adequate?	KSA 41-310 KSA 41-2622	The legislative post audit report stated on Page 20 that: "Part of the fees collected by the Division of Alcoholic Beverage Control are transferred to fund community alcoholism treatment programs. As a result, fee receipts fall short of covering the Division's regulatory program costs by a fairly substantial amount. In fiscal year 1981, this shortfall totaled \$382,740, or 35 percent of the Division's operating costs. The report recommends that the Legislature consider whether alcohol license and permit fee receipts should cover <u>all</u> costs of the regulatory program, including moneys channeled to finance other funds." The fact that most of these fees have not increased in over 30 years, and that Kansas' fees are well below the average for license states, offers further evidence of the need to review the adequacy of the regulatory fee schedules. We have made a survey of surrounding states comparing license fee and have that information available if you wish.

NUMBER	CONCERNS OR PROPOSAL:	REFERENCE	RECOMMENDATION
3.	Should the legislative consider eliminating the state's retail price maintenance program?	KSA 41-1111 thru KSA 41-1118	This matter is strictly a policy decision of the legislature. I would point out that the ABC Board of Review is meeting at 10:00 AM, January 27, 1983, to consider the minimum percentage markup.
4.	<p>Should the 50% gross receipts requirement for class B private clubs to participate in reciprocal be reduced?</p> <p>Should more flexibility be granted to the ABC Division to evaluate a club's compliance with food percentage of gross receipts of reciprocity requirements? <i>5/26/73</i></p> <p>Should the loophole, which allows clubs who fail to meet requirements to reciprocate, thereby gaining an additional year of operations under the statutes, be closed? <i>5/26/73</i></p>	KSA 41-2637 KSA 41-2601(f)	<p>Recommend legislation to:</p> <p>(a) reduce gross receipts on food sales from 50% to 30% to 40%.</p> <p>(b) give director of alcoholic beverage control authority to review clubs with questionable compliance with reciprocity statutes and regulations.</p> <p>(c) if less than 50% of food sales are made during the calendar year, the club may not reincorporate in order to continue to participate in the reciprocal program. Such clubs forming new corporation to circumvent the food percentage requirement may not participate in the reciprocal program for a one year period from date the club reciprocated.</p>
5.	<p>Should liquor advertising laws and regulations be revised to eliminate price and brand advertising?</p> <p>Should K.S.A. 41-714 be revised?</p>	KAR 14-8-2(3)(4)	Recommend that the Senate Federal and State Affairs Committee introduce a concurrent resolution striking the above language from Kansas Administrative Regulation 14-8-2. This will, in effect, bring the matter before the legislature for a thorough review, a reaffirmation or a revision of legislative intent.
6.	Should restrictions on business operations in the liquor industry that appear to be designed to protect the industry, not the public, be eliminated?		Recommend no action at this time. We are reviewing and studying this matter and will make regulation changes where possible.

NUMBER	CONCERNS OR PROPOSAL:	REFERENCE	RECOMMENDATION
7.	Should the Liquor Control Investigators be brought under the Police and Fireman's Retirement Act?		Strongly recommend that legislation be introduced to bring the Liquor Control Investigators under the Police and Fireman's Retirement Act.
8.	Beer distributor selling outside his designated geographic territory?	KSA 41-1101	Recommend legislation be introduced to include beer distributors instead of excluding them under discrimination. Further, this should be made applicable to KSA and CMB statute.
9.	Should supplier refund coupons be authorized in Kansas?	KAR 14-3-15 KSA 41-702 KSA 41-703 KSA 41-1117(2)	This is strictly a legislative matter. Probably should be studied further.
10.	Should Kansas statutes be amended to allow the purchase of alcoholic liquor with credit cards?	KSA 41-717	Recommend no action at this time.
11.	Should Kansas statutes be amended to allow for special or temporary permits or licenses for fund raisers, etc?	KSA 41-719 KSA 41-803 KSA 41-2602 KSA 41-2603 KSA 41-2604 KSA 41-2619 KSA 41-2620	Strongly recommend that legislation be introduced to provide for this. Tom Coleman, our attorney will be working with your people to draft such legislation.

NUMBER	CONCERNS OR PROPOSAL :	REFERENCE	RECOMMENDATION
12.	Should Kansas statutes be amended to allow limited purchases of alcoholic liquors from out of state?	KSA 41-407 KSA 41-104	This is strictly a legislative matter.
13.	Should the ABC Division be authorized an analyst to operate the Division information system and enforcement data center?		Recommend no action at this time. We are studying this matter.

Conferees: Jim Turner
Jamie Schwartz, KDED

General Kennedy
Trudy Racine
Glenn Deck

January 19, 1983

All members present: Staff present: Fred Carman, Russell Mills, June Windscheffel

The Chairman introduced Jim Turner, of the Kansas Savings and Loan League, with a proposal which was distributed which Mr. Turner wanted to present to the Committee. Mr. Turner stated that the proposal relates to federal exemption on bonds and state agencies and that he feel this is the appropriate committee in which it be heard. The proposal concerns the establishing of a Kansas Housing Finance Agency. A copy of the proposal is attached. (Attachment #1).

Jamie Schwartz , of the KDED, also appeared in support of the proposed legislation.

(Make a file for Ed: An accordian file with the Savings and Loan material in it)

Senator Morris moved that the proposal be introduced as a committee bill. Seconded by Senator Gannon. Motion carried. The Chairman instructed the staff to go over the proposal and see that proper bill is drafted. - 3595

The Chairman then referred the Committee back to the Audit Report which was being considered yesterday. Starting with page No. 6 of the Memorandum of January 19.

Should restrictions that appear to be designed to protect the industry be eliminated Kennedy read from the paper concerning the "3-tier system"

Must begin by evaluation of the delicate balance. Some regulations and revisions should be reevaluated to see if they pertain significantly. This includes transportation of alcoholic beverages by distributor.Credit by the licensee..insufficient fund checks....advertising.... price marking....customer rebates. Kennedy said they would welcome any guidance in this particular area.

On to Item #7. No rational reason. ABC agents are police officers. Each agent requires 40 hours of refresher training annually. We would recommend this.

Item #8. Beer distributors. KSA 41-1101. This statute excludes beer and we feel that beer should be brought under that particular statute. Kennedy cited instance of a brewery selling to a number of suppliers and giving 3 different prices. Our point is that they should quote the same price to all distributors. The only difference in price should be the freight rates. Carry it on to the distributors. The same price with all their retail outlets. It is different under liquor, but beer is excluded from the particular statute.

Suggest supplier refund coupons be authorized in Kansas. In that area "I have provided each of you an index of state laws on couponing." Our current reading is that they cannot sweat off the label off and get a refund.

Reilly: It is a legislative prerogative for us to do what we wish.

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January 19, 1983--Continued

Kennedy: Think it needs to be a policy decision of the legislature.

More discussion.

There was an AG's opinion in the last year authorizing what I refer to as debit-credit cards. It is the same as a check.

Should Kansas statutes be amended to allow for special or temporary permits for fund raisers? We receive consistent requests on this. While the constitutional prohibition against the open saloon must be kept in mind it may be possible to draft legislation to make this more available. Quoted KSA.

Tom Coleman: I think there is a going to be a problem. The problem clearly the open saloon aspect. The agency will continue to look to see if it is a legal approach but I don't have much faith in that possibility.

Kennedy: But the question is there. It is possibly being brought up. Where the general public has acceptance is where you have the problem.

Coleman: If you can mount that barrier.

Kennedy; This is a problem area. That is why I am bringing it to your attention.

Morris: Cash bar at Hays.

Strukel: Actually it was not there. I talked to the people at the hotel. They didn't have a cash bar. You are right. There are all kinds of things put out.

Reilly: I think we can address it and be constitutional. You need to put your heads together with our staff and get something we can work on. Need to clarify the statutes.

Pomeroy: Nothing wrong in having the alcohol there. It is the sale of alcohol.

Discussion.

Reilly: Would you get with the staff and work something up that the Committee can consider and rectify for all Kansans.

Kennedy: Should Kansas statutes be amended to permit limited purchases from out of state? Questions from people who live over seas.

Reilly: How would the Kansas retailers feel about this?

Kennedy: I don't know. I bring this up as a concern.

These are not recommendations they are merely areas of concern.

#13 Recommendation of post audit committee. Their analysis was go and it would help us if we had support. Simply a recommendation of theirs.

Reilly: How many agents have you?

Kennedy: There are a total of 27 agents.

Reilly: Why do you need an analysis? A violation is a violation.

Kennedy: Possibly agents could be better utilized concerning territory.

Strukel: I am hoping they are not saying that in each jurisdiction there has to be a quota. We work violations where we get complaints and are also spot checking.

Kennedy: Have good cooperation with the police department.

Deck: We did not recommend that they should have an analysis. Our recommendation is that they should review and analyze. Our recommendation on P. 58 doesn't recommend an additional analyst. What we are really recommending is that we found areas of the state where there are no citations. We did not imply that there were improprieties. We were trying to point out that because of ABC having to cover the whole state that if they had periodic review this area that they could pinpoint areas and you might want to go in and do some more spot checks on the locations. We found no evidence that the ABC was not doing its job.

Kennedy: We ran into another area and that was point of sale, advertising, et cetera. We have a rule of regulation which we feel and the A.G. agrees that does everything that can be done under the statutes.

Reilly: Would it be inappropriate that we have report of the committees attend the ABC Board of Review Meeting on the 27th?

Kennedy: The committee would welcome someone to sit.

Reilly: I think the appointing of a subcommittee to be appointed to sit in.

Back to #6.

Reilly: My question deals with the matter a lot of contention with the new law with regard to the wholesalers and this speaks of the cut-off of placing orders, et cetera. Have you had a lot of complaints from retailers that this has created a hardship?

Kennedy: I received one complaint this past week. The gentlemen didn't understand it. Minimum ?. He was satisfied when I explained.

Reilly: One of the pluses for changing the law was that various wholesalers were to make two or 3 bottles two or 3 times a week.

Kennedy: You have many little retailers and have big retailers. The small retailers needed assurance that they could get delivery once a week.

Mr. Lollar: I really have had no complaints about No. 6. We feel we need some protection for the little retailer in the outlying area. We are not sure a distiller in New York is concerned if whether he delivers 30 pints a year to St. Francis, Kansas.

Kennedy: It was a recommendation that the 7-day period be extended.

Vidricksen: 7562 reciprocals. 15,234. During a one-year period you have cancellations of 3 or 400 that change names. What I am getting at is that the

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cost involved in reciprocals. Isn't that a great cost for your office at no additional fees?

Morris--It shocked me that post audit came in with policy decisions of the legislature. Is this something you ordinarily do?

Deck: The best explanation is what the sunset law calls for. The 1st and 2d pages of the report. The sunset law factors are what we do. We have been required to make determinations on those factors. It forces us to come to conclusions. Our recommendations are because of what the sunset law says to do is our reason for doing this. It is a delicate area. It is what we have done in other audits.

Morris: Maybe we ought to suggest that some of those recommendations might change the scope of what the post audit does.

Deck: We work directly for post audit. We go to the agency and tell them they are up for sunset. We have members of the committee asked us to look at the liquor excise tax.

Reilly: We don't want it to appear that we are jumping down your auditors throats. Some of the information is very enlightening to us.