

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRSThe meeting was called to order by Representative Robert H. Miller at  
Chairperson12:00 noon a.m./p.m. on April 5, 1988 in room 526S of the Capitol.

All members were present except:

Representative Roe & Roper  
Representatives Long & Sifers - E

Committee staff present:

Mary Torrence, Revisor's Office  
Mary Galligan, Research Department  
Lynda Hutfles, Secretary

Conferees appearing before the committee:

Senator Dave Kerr  
Dr. R.G. Rizza, Kansas Grape Growers and Wine Makers Assn.  
Harley Duncan, Secretary of Revenue  
Tuc Duncan, Kansas Wine & Spirits Wholesalers Assn.  
Frank Morrison, KSU Cooperative Extension Service  
Frances Kastner, Kansas Food Dealer's Assn.  
Ken Kraus, Kansas Grape Growers Assn.  
Reverend Richard Taylor, Kansans for Life at its Best  
Gerry Henderson, United School Administrators of Kansas  
Gary Stotts, Department of Corrections  
Roger Endell, Secretary of Corrections  
Angella Rinaldo, Department of Corrections  
Don Lind, Community Corrections Association

The meeting was called to order by Chairman Miller.

SB598 - Farm wineries, rights of licensee

Senator Dave Kerr explained the bill which would permit farm wineries to sell wine manufactured by the winery to licensed wine distributors and licensed retailers. The bill also allows wine manufactured by farm wineries to contain less than 60% Kansas grown ingredients as authorized by the Director of ABC. The bill would allow farm wineries to sell wine for off premise consumption between 12:00 and 6:00 on Sunday. Wine tasting programs would also be allowed at a farm winery and at the Kansas State Fair grounds.

Dr. R.G. Rizza, Kansas Grape Growers and Wine Makers Ass., expressed support of SB598 as it was introduced by Senator Harder. SB598 came out of the Senate Committee with many changes related to the liquor industry and Dr. Rizza said he would like these amendments removed from the bill. Dr. Rizza confined his remarks to the original changes as proposed in SB598 and reviewed the facts about wine consumption in Kansas. See attachment A.

Harley Duncan, Secretary of Revenue, told the committee that the provisions of SB598 represent a return to the distribution scenario established for farm wineries in the 1985 session. Although the bill appears to complicate the current three-tier distribution system by allowing direct sales to retail liquor stores, the department is not opposed to such a change. Further definition as to qualifications for a "bona fide group of grape growers or wine makers" and the limits on "small quantities of wine" are required. There appears to be a potential for abuse in sec. 4, 5, & 6 which allows licensed wine, beer and spirits distributors to remove products from their bonded warehouses to serve as samples to the general public on the licensed premise. See attachment B.

Written testimony was submitted by Frank D. Morrison, KSU Cooperative Extension Service, in support of SB598 which would significantly increase the marketing potential of an agricultural commodity, and help nourish the growth of a grape production and marketing industry in Kansas. See attachment C.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS

room 526S, Statehouse, at NOON a.m./p.m. on April 5, 19    

Tuc Duncan, Kansas Wine & Spirits Wholesalers Assn., explained to the committee what SB598 does. He said he supported farm winery legislation from the beginning. Line 30-32 is identical to the way the legislation was two years ago and he did not object to putting retailers back into it. Line 45-53 is a clerical change changing "greater" to "lesser". Line 62-65 allows for Sunday sale of domestic wine products at the winery. Sec. 1 (e) is a clarification and allows for import of products for sampling. Section 3 would allow wine sampling at the State Fair Grounds and allows for withdrawal of wine from their bonded warehouse inventory for sampling purposes. Mr. Duncan said they had no problem with the bill in its current form.

Frances Kastner, Kansas Food Dealer's Assn., expressed support of the bill and any other legislation that gives the businessman the right to make an independent decision on how to make a profit. Passage of this bill is a step forward in promoting the products grown in Kansas. See attachment D.

Ken Kraus, President of the Kansas Grape Growers Assn., expressed support of the bill which he feels will help to promote tourism in Kansas. The potential is there for making a profit on Kansas grown grapes in the wine industry.

Reverend Richard Taylor, Kansans for Life at its Best, expressed opposition to the bill. Promoters of the most abused drug, alcohol, claim this bill is a farm economic development issue. See attachment E.

Representative Sprague made a conceptual motion, seconded by Representative Charlton, to amend lines 30-32 back to the original language, change "may" back to "shall" in line 107 and to delete secs. 5,6,7 & 8. In essence this takes the bill back to a farm winery bill. The motion carried.

Representative Gjerstad made a motion, seconded by Representative Peterson, to amend the bill to set a minimum and maximum on license fees. The motion carried.

Representative Walker made a motion, seconded by Representative Roy, to amend HB2707 concerning furnishing of alcohol and cereal malt beverage as it came out of the House into SB598. The motion carried.

Representative Roy made a motion, seconded by Representative Aylward, to insert in line 107 "may" in lieu of "shall". The motion carried.

Representative Peterson made a motion, seconded by Representative Sprague, to report SB598 favorably as amended.

Representative Rolfs made a substitute conceptual motion, seconded by Representative Gjerstad, to restrict sampling at the State Fair grounds to competition. The motion carried.

Representative Peterson made a motion, seconded by Representative Sprague to report SB598 favorably as amended. The motion carried.

SB737 - Employment Security

Gerry Henderson, United School Administrators of Kansas, gave testimony in support of SB737 which contains language to correct a problem which has increased with the use of Section 125 Cafeteria Plans by Kansas School Districts for employee fringe benefit packages. There is a question about what amounts of compensation will be subject to unemployment. SB737 will clean up all this confusion by providing that only compensation subject to federal income tax would be subject to state unemployment tax. See attachment F.

Representative Sughrue made a motion, seconded by Representative Ramirez, to include a technical amendment to resolve a conflict as explained by Mary Torrence. The motion carried.

Representative Sughrue made a motion, seconded by Representative Sebelius to report SB737 favorably as amended. The motion carried.

CONTINUATION SHEET

— MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS,  
room 526S, Statehouse, at NOON a.m./p.m. on April 5, 19   

SB726 - Authorizing payment for medical services for inmates not submitted within fiscal year in which services are rendered

Gary Stotts, Department of Corrections, expressed support of the bill which would permit the state Director of Accounts and Reports to accept for payment amounts due to medical providers for the care of inmates, even though claims were not submitted or processed for payment within the fiscal year in which the service was rendered. See attachment G.

Representative Rolfs made a motion, seconded by Representative Walker, to report SB726 favorable for passage. The motion carried.

SCR1621 - Directing the Department of Corrections to prepare and provide to the legislature a prison impact statement for each bill which is likely to affect the number of inmates

Roger Endell, Secretary of Corrections, expressed his difficulty in assessing the bill. He felt it had some mechanical problems and if the bill passed he was not sure the department would be able to comply. The Department has one full time research person. There are 5,800 inmate files this person would need to research and since we are not computerized, this could not be done quickly.

Hearings were concluded on SCR1621.

SB457 - Community Corrections

Angella Rinaldo, Department of Corrections, explained the impact of a direct grant appropriation for community corrections as requested by the committee. See attachment H. Ms. Rinaldo also explained the balloon amendment to the bill which deletes the existing formula system, creates a grant appropriation and clarifies services to comply. See attachment I. This bill does not remove county control. They will still continue to approve and prepare plans for program and the budget and the department will still scrutinize them and appropriate the funds needed.

Don Lind, President of Community Corrections Programs, expressed two areas of concern dealing with the entitlement funding. Under the present entitlement process, counties know exactly what the entitlement formula provides as resources to meet local needs for correctional alternatives and services. Under the grant appropriation format, the balance of state-local partnership tips toward the state controlling the decision making process. Counties might be forced to re-evaluate the advantages of participation in the program. The result might be a weakening of community corrections at a time when correctional alternatives should be enhanced. See attachment J.

Mr. Lind told the committee he was concerned with the amendment of the department. It is late in the session and legislation is needed to keep programs going. If these additional costs aren't available Directors will be faced with cutting services out to provide a level of service and case load size.

The Chairman told the committee he too was concerned with the time element. The bill was introduced on December 16 and did not come to this committee until April 1. He said the committee would be taking SB457 under advisement.

The Chairman told the committee he would distribute a memo on the AIDS issue on the floor and asked that committee members read it and analyze the bill before the hearing on Wednesday. There is a possibility of working the bill either Wednesday or Thursday, but it is not the wish of the chairman to rush through it.

The meeting was adjourned.

A

SENATE BILL 598

HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS

APRIL 5, 1988

THANK YOU FOR THE PRIVILEGE OF SPEAKING TO YOUR COMMITTEE. YOU SHOULD BE AWARE THAT BECAUSE OF THE LEGISLATION YOU PASSED IN 1983 AND 1985 THERE HAS BEEN A RESURGENCE OF GRAPE GROWING IN KANSAS. INSTEAD OF 2 OR 3 PEOPLE HAVING VINEYARDS, THERE ARE NOW SEVERAL. IN FACT, IN JANUARY, 1987 WE WERE ABLE TO ORGANIZE AND INCORPORATE, UNDER KANSAS LAW, THE KANSAS GRAPE GROWERS AND WINE MAKERS ASSOCIATION, WITH ABOUT 40 MEMBERS. WE HAVE STARTED AMONG THE GROUP ABOUT 21 COMMERCIAL VINEYARDS IN OUR STATE. IN JANUARY, 1988, WE HAD OUR ANNUAL MEETING HERE IN TOPEKA WITH SOME 55-60 PERSONS ATTENDING. PRESENT GRAPE GROWERS ARE SCATTERED ALL OVER KANSAS FROM HALSTEAD, BURRTON, HAVEN, LINDSBORG, OVERBROOK, MANHATTAN, FORT SCOTT, LEAVENWORTH, LARNED, NEODESHA, WAMEGO, COLLYER, MENLO AND OTHER AREAS. SEE REFERENCE #1. POTENTIALLY, WE COULD HAVE HAD 3 WINERIES TO START IN THE CRUSH SEASON OF 1988.

A VINEYARD COSTS BETWEEN \$4,000 TO \$6,000 PER ACRE TO ESTABLISH AND WILL NOT BE TRIED WITHOUT A MARKETPLACE. A WINERY, OF SMALL CAPACITY AND ACCEPTABLE QUALITY, WOULD COST BETWEEN 1/2 MILLION TO 1 MILLION DOLLARS AND THIS WILL NOT BE DONE WITHOUT A MARKETPLACE. VINEYARDS HAVE BEEN PLANTED AND PLANS FOR WINERIES HAVE BEEN STARTED, BASED UPON LEGISLATION PASSED IN 1983 AND 1985.

Attach A,

REGRETFULLY, ALL PROGRESS HAS STOPPED AND IS NOW ON A "HOLD BASIS." FURTHER PROGRESS HAS STOPPED BECAUSE SOME OF THE LAWS PASSED IN 1983 AND 1985 WERE CHANGED BY THE LEGISLATURE LAST YEAR. I DO NOT KNOW HOW OR WHY, BUT THAT IS WHY I AM IN FRONT OF YOU AGAIN, NOT ASKING FOR NEW CHANGES BUT TO REGAIN WHAT WE HAD IN 1985.

SENATE BILL 598, AS INTRODUCED BY SENATOR HARDER, WAS A RELATIVELY SIMPLE 3 PAGE DOCUMENT THAT ADDRESSED THESE CHANGES AND WAS AN ATTEMPT TO RETURN THE CHANGES TO ALLOW THIS NEW AGRICULTURAL INDUSTRY TO MOVE FORWARD AGAIN.

WE FIND, HOWEVER, THIS 3 PAGE BILL CAME OUT OF COMMITTEE AS AN 8 PAGE DOCUMENT WITH MANY CHANGES RELATED TO THE LIQUOR INDUSTRY. THESE ADDITIONAL CHANGES ARE OF NO CONCERN TO US, EXCEPT THAT IT MINGLES OUR AGRICULTURAL INTERESTS WITH THOSE OF THE LIQUOR INTERESTS, AND WE DO NOT WANT TO BE INVOLVED WITH THAT AND I FEEL CERTAIN SENATOR HARDER DOES NOT EITHER. I PERSONALLY FEEL THESE AMENDMENTS SHOULD BE REMOVED FROM SENATE BILL 598. MY REMARKS WILL BE ADDRESSED ONLY TO THE ORIGINAL CHANGES AS PROPOSED IN SENATE BILL 598.

PLEASE ALLOW ME AGAIN TO REVIEW THE FACTS ABOUT WINE CONSUMPTION IN KANSAS.

FIRST, NO WINE HAS BEEN MADE COMMERCIALY IN KANSAS SINCE 1880.

IN 1977, THE LIQUOR DEALERS HAD 1,505,000 GALLONS SHIPPED INTO KANSAS. IN 1985, THEY IMPORTED INTO OUR STATE 2,389,000 GALLONS. DURING THIS 8 YEAR PERIOD, THE INCREASE WAS 884,000 GALLONS FOR AN AVERAGE INCREASE OF 110,500 GALLONS EACH AND EVERY YEAR. TAKING THESE FIGURES, WE COULD PROJECT THAT IN 1987, THE LIQUOR DEALERS BROUGHT IN AND, I ASSUME SOLD, SOME 2,610,000 GALLONS OF WINE. LET'S TAKE ANOTHER VIEW OF THESE FIGURES:

2,610,000 GALLONS WOULD EQUAL 13,050,000 BOTTLES OF 1/5 GALLON SIZE. 13,050,000 BOTTLES WOULD EQUAL 1,087,500 CASES OF WINE. PLEASE SEE REFERENCE #2.

THIS 2.6 MILLION GALLONS OF WINE FLOWED INTO OUR STATE, AND THE MONEY FLOWED OUT OF OUR STATE, TO GRAPE GROWERS AND WINE MAKERS OUT OF STATE, WITH TOTAL DISREGARD TO THE GRAPE GROWERS AND POTENTIAL WINE MAKERS IN KANSAS.

APPROXIMATELY 40 STATES HAVE ALREADY PASSED SIMILAR STATE LEGISLATION TO BOOST THEIR STATE'S GRAPE FARMERS AND WINE MAKERS. THIS BILL WOULD RETURN THE VITAL SECTIONS WITHOUT WHICH WE CANNOT HAVE FARM WINERIES IN KANSAS, AND WITHOUT FARM WINERIES, WE CANNOT EVER HAVE A VIABLE GRAPE INDUSTRY IN KANSAS.

LINE 0030

SALE OF WINE TO RETAILERS. PLEASE SEE REFERENCE #3.

THIS STUDY DONE BY CORNELL UNIVERSITY, WHICH I ASSUME TO BE WITHOUT BIAS, ON SOME 27 FARM WINERIES, SHOWS HOW THEY ARE ABLE TO SELL THEIR WINE.

ABOUT 60% IS SOLD DIRECTLY AT THE WINERY.

ABOUT 35% IS SOLD DIRECTLY TO RETAILERS.

ONLY 5% IS SOLD TO WHOLESALERS.

WITH THE CHANGES LAST YEAR, WE LOST 35% OF OUR MARKET.

LINE 0047

THIS SECTION STATES THE DIRECTOR OF THE ABC COULD AUTHORIZE IMPORT OF PRODUCTS "NOT AVAILABLE IN THIS STATE." ONE OF OUR MEMBERS, WHO IS AN ATTORNEY, FELT THIS TO BE AMBIGUOUS AND COULD CONSTITUTE A PROBLEM FOR THE ABC. IN THE FUTURE, SOMEONE COULD ASK THE DIRECTOR PERMISSION TO IMPORT PRODUCTS THAT COULD BE GROWN ONLY IN CALIFORNIA AND NOT IN.

KANSAS AND, IF REFUSED, IT COULD BE CONTESTED IN COURT. THIS CHANGE WOULD GIVE THE DIRECTOR OF THE ABC BETTER CONTROL WITH LESS POSSIBILITY OF LITIGATION. ONE OF OUR GOALS IS DEVELOPING DIVERSIFIED AGRICULTURE HERE IN KANSAS AND NOT IN OTHER STATES.

IF ANYONE IS CONCERNED ABOUT THIS BEING A REGULATED INDUSTRY, LET ME REFER THEM TO THE RULES AND REGULATIONS OF THE FEDERAL BUREAU OF ALCOHOL, TOBACCO AND FIREARMS. THIS IS CODE OF FEDERAL REGULATIONS #27, PART 200 TO END; REVISED AS OF APRIL 1, 1986. THIS BOOK REFERS ONLY TO WINE AND WINERY REGULATIONS AND IS 492 PAGES LONG. BELIEVE ME, THIS INDUSTRY IS TOTALLY AND COMPLETELY REGULATED TO THE LAST DROP.

LINE 0062

THE PRESENT LAW, CHANGED LAST YEAR, ALLOWS THE HOURS OF OPERATION TO BE THE SAME AS A RETAIL LIQUOR STORE. THE CONCEPT OF A FARM WINERY BEING THE SAME AS A LIQUOR STORE IS COMPLETELY AND TOTALLY FALSE. FARM WINERIES WOULD SELL 1 PRODUCT ONLY, WHICH WOULD BE THE PRODUCT OF THEIR WINERY, PRODUCED FROM AGRICULTURAL PRODUCTS GROWN IN KANSAS.

MORE IMPORTANTLY, FARM WINERIES WOULD DEPEND UPON TOURISM AND WOULD HAVE A DECIDED IMPACT ON TOURISM FOR OUR STATE. ALTHOUGH, WE HAVE NO WINERIES IN OUR STATE, WE HAVE ALREADY BEEN MENTIONED IN "DESTINATIONS," A TRADE JOURNAL FOR THE TOUR BUS ASSOCIATION. SEE REFERENCE #4. THE STATE OF VIRGINIA SPENT \$1,000,000 IN PUBLICITY FOR THEIR WINERY TOURS, OBVIOUSLY BECAUSE IT WAS WORTHWHILE. SEE REFERENCE #5.

CONSIDER THE TOURIST ATTRACTIONS OF SOUTH CAROLINA, WITH THE HISTORIC CITY OF CHARLESTON, FORT SUMPTER, MYRTLE BEACH AND HILTON HEAD TO MENTION A FEW, YET IN 1983 TRULUCK VINEYARDS AND WINERY WON THE YEAR'S MOST OUTSTANDING TOURIST AWARD FOR SOUTH CAROLINA. SEE REFERENCE #6. WEIDIKER WINERY IN ARKANSAS CLAIMS OVER A 12 MONTH SEASON, TO HAVE MORE TOURISTS THAN ANYTHING ELSE IN ARKANSAS.

LINE 0071

WINE TASTING FOR WINE COMPETITIONS, EDUCATION, ETC. THIS WOULD BE IN SMALL QUANTITIES, 2-3 BOTTLES TO 1 OR 2 CASES FOR RECOGNIZED GROUPS. IT WOULD HAVE TO BE A BONA FIDE GROUP, FOR EDUCATIONAL AND SCIENTIFIC REASONS, ONLY WITH THE PERMISSION OF THE DIRECTOR OF THE ABC AND COULD NEVER INVOLVE SALES, OR RE-SELLING, OR EXCHANGE OF MONEYS OR BARTER IN ANY FASHION. PLEASE SEE REFERENCE #7.

LINE 0106

THIS SECTION ALLOWS THE KANSAS STATE BOARD OF AGRICULTURE TO START AN ADVISORY PROGRAM. THIS ENTERPRISE IS JUST STARTING IN KANSAS, WE ALL HAVE MUCH TO LEARN. WE WOULD LIKE THE DEPARTMENT OF AGRICULTURE TO START WITH US AND LEARN WITH US HOW THEY MAY SUPPORT THIS ENDEAVOR FOR OUR STATE. WE WOULD LIKE TO SEE A LIAISON AND INTERACTION BETWEEN OUR ASSOCIATION AND THE DEPARTMENT OF AGRICULTURE, WITHOUT ANY FINANCIAL COMMITMENT FROM THE LEGISLATURE NOR THE DEPARTMENT OF AGRICULTURE. EVENTUALLY, WHEN REALISTIC, PRACTICAL, ADVISABLE AND WITH THE CONSENT OF THE LEGISLATURE AND THE DEPARTMENT OF AGRICULTURE, THIS COULD EXPAND INTO A FULL ADVISORY PROGRAM, AS IN MISSOURI, MISSISSIPPI AND CONNECTICUT.

REFERENCES 7 AND 8. THESE REFER TO AN ANNOUNCEMENT OF A WINE TASTING SPONSORED JOINTLY BY THE MISSOURI DEPARTMENT OF AGRICULTURE AND THE MISSOURI WINE MAKERS AND AN ADVISORY LETTER FROM THE MISSOURI ADVISORY PROGRAM. REFERENCE #9 CONCERNS THE STATE OF CONNECTICUT LEGISLATURE ESTABLISHING SUCH A PROGRAM IN THEIR DEPARTMENT OF AGRICULTURE. REFERENCE 10 - IN MISSISSIPPI, THEIR DEPARTMENT OF AGRICULTURE HAS THE AUTHORITY TO GRANT INTEREST FREE LOANS UP TO \$50,000 EACH TO FARMERS TO ESTABLISH VINEYARDS WITH ALL PAYMENT DEFERRED FOR 6 YEARS.



AT THIS STAGE THIS NEW INDUSTRY IS A CRAWLING INFANT, BUT WITH YOUR SUPPORT, WE HOPE TO BE UP AND WALKING SOON AND, HOPEFULLY, ONE DAY TO BE RUNNING INTO THE FUTURE TO WHERE KANSAS WAS IN THE PAST, WHEN OVER 100 YEARS AGO WE HAD SOME 9,000 ACRES OF VINEYARDS AND PRODUCED ALMOST 1/4 MILLION GALLONS OF WINE. I IMPLORE YOU TO NOT ALLOW ANYONE FOR THEIR OWN, PERHAPS SELF-SERVING, REASONS TO SNUFF OUT THE LIFE OF THIS INFANT INDUSTRY THAT PROMISES TO MEAN SO MUCH TO OUR STATE IN AGRICULTURAL DIVERSIFICATION, NEW ECONOMIC DEVELOPMENT AND FOR TOURISM.

THANK YOU FOR YOUR KINDNESS, COURTESY AND CONSIDERATION.

R. G. RIZZA

KANSAS GRAPE GROWERS AND WINE  
MAKERS ASSOCIATION

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# WINES & VINES

*The Authoritative Voice of the Grape and Wine Industry*

## KANSAS

**General Status**—Local prohibition in cities and townships. Private licensing. On-sale prohibited.

**Control Authority**—Department of Revenue, Alcoholic Beverage Control Division, Topeka, Kansas.

**Consumption**—(1977) 1,505,000 gals. Population: 2,326,000. Per capita, .647 gallon.

**Tax Rates**—Table and sparkling wine, 30¢ per gallon; dessert wines, 75¢ per gallon. 4% enforcement tax on retail sales to consumers.

**Sales Tax**—3% collected at point of sale.

**License to Solicit**—No firm license required to solicit producers or distributors; salesman's permit required; fee, \$10, wholesale license required to solicit retailers, State fee, \$1,250, bond, \$15,000. Salesman or agent must be natural person.

**License to Ship**—Not required.

**Shipping Permit**—Affidavit of shipment or acceptable commercial document must be sent to Director when shipment leaves premises.

**Importation**—By producers and wholesalers only. Individual may bring in subject to taxes.

**Wholesaling**—By wholesalers. Exclusive distributors prohibited.

**Retailing**—Off-sales by package stores; on-sales prohibited, except by clubs.

**Reports**—Producers and distributors must file with Director monthly report by 15th of each month, covering purchases, sales, and prices for preceding month.

**Pricing**—Producers and wholesalers must each file non-discriminatory statement for cased and bulk wine and brandy governing sales of brands and prices, the former to distributors and the latter to retailers. Price schedules must be filed monthly commencing September 1, by suppliers showing the FOB point of shipment cash price for each item sold to wholesalers during the time the price schedule is in effect and must be accompanied by an affidavit of price affirmation on a prescribed form stating that the price for each item contained in the price schedule is as low as the lowest price said item is sold anywhere in any state in the continental United States during the month for which the price schedule is filed. Photographs of type of containers used must be filed with price schedule and approval of containers is required. A supplier contemplating a price increase must notify the Director and all distributors of his intention at least 60 days prior to increase. In most cases suppliers who delist an item will not be permitted to repost it for 6 months.

1985 = 2,389,000 Gal.

1977 = 1,505,000

884,000 Gal. INCREASE IN 8 YEARS

AVERAGE YEARLY INCREASE = 110,500 Gal.

PROJECTED 1987 CONSUMPTION = 2,610,000 Gal.

2,610,000 gal. [ 2.4 gal. / case ] = 1,087,500 CASES  
 2,610,000 gal [ 5 bottles / gal ] = 13,050,000 BOTTLES

"WINES AND VINES DIRECTORY PUBLISHED BY THE HIARING COMPANY  
 1800 LINCOLN AVE.  
 SAN RAFAEL, CA 94901

## KANSAS

**General Status**—Local prohibition in cities and townships. Private licensing. County option for liquor-by-the drink.

**Control Authority**—Department of Revenue, Alcoholic Beverage Control Division, Topeka, Kansas.

**Consumption**—(1985) 2,389,000 gallons. Population: 2,450,000. Per capita, .98 gallons.

**Tax Rates**—Table and sparkling wine, 30¢ per gallon; dessert wines, 75¢ per gallon. 4% enforcement tax on retail sales to consumers. Brandy, \$2.50 per gallon.

**Farm Winery Law**—"Domestic table wine" is wine which is manufactured from agricultural products grown in the state. Such table wines enjoy lower tax rates of 15¢ per gallon.

**Sales Tax**—3% collected at point of sale.

**License to Solicit**—No firm license required to solicit producers or distributors; salesman's permit required; fee, \$10; wholesale license required to solicit retailers, State fee, \$1,250; bond, \$15,000. Salesman or agent must be natural person.

**License to Ship**—Not required.

**Shipping Permit**—Affidavit of shipment or acceptable commercial document must be sent to Directory when shipment leaves premises.

**Importation**—By producers and wholesalers only. Individual may bring in subject to taxes.

**Wholesaling**—By wholesalers. Fee, \$1,250. Exclusive franchise distribution system, restricting franchise terminations, adopted; system held to be valid in January, 1980 by State Supreme Court. Additional registration fee of \$50 on initial application.

**Retailing**—Off-sales by package stores; on-sales prohibited, except by clubs.

**Reports**—Producers and distributors must file with Director monthly report by 15th of each month, covering purchases, sales, and prices for preceding month. Retailers must file reports with the Commission of Revenue and Taxation by the last day of each month.

**Pricing**—Producers and wholesalers must each file non-discriminatory statement for cased and bulk wine and brandy governing sales of brands and prices, the former to distributors and the latter to retailers. Price schedules must be filed monthly commencing September 1, by suppliers showing the FOB point of shipment cash price for each item sold to wholesalers during the time the price schedule is in effect and must be accompanied by an affidavit of price affirmation on a prescribed form stating that the price for each item contained in the price schedule is as low as the lowest price said item is sold anywhere in any state in the continental United States during the month for which the price schedule is filed. Photographs of type of containers used must be filed with price schedule and approval of containers is required. A supplier contemplating a price increase must notify the Director and all distributors of his intention at least 60 days prior to increase. In most cases suppliers who delist an item will not be permitted to repost it for 6 months.



The Twenty-First Amendment, which repealed Prohibition, at the same time placed control of alcoholic beverage sales and distribution in the hands of the individual states. Now 18 states have made distribution and retail sales of alcohol a state run monopoly. The other 32 states have adopted a system which allows private firms to operate production facilities, distribution, and sales under state licensing.

This has led to the three tier system now in operation in New York. The tiers are the producer, whether in New York or out of state, the wholesale distributor, and the wine and liquor retailer. The original motivation for the system was a desire to preclude suppliers (producers) from dealing directly with retailers, the situation which had prevailed before Prohibition. This was accomplished by making it mandatory for a wholesaler to act as an intermediary between supplier and retailer.

Along with 10 other states New York has modified the three tier system. New York suppliers are permitted to hold wholesaler licenses, allowing them to deal directly with retailers. As a result, New York small wineries have three options open to them for distribution. They can sell through a wholesaler, they can themselves act as the wholesaler and sell directly to liquor stores and restaurants, or they can sell to the public at the winery. A fourth but less significant channel allows for the distribution of wine to private customers by carrier on a retail mail order basis, within New York.

#### Marketing Channel Use

The results of this study show that a number of combinations of sales channels are used and in addition there is great variation in the proportion of wine supplied to each channel. The size of the winery does appear to play a significant role in determining which market channels are used and in what combination. The smaller the winery, the more likely it is that the majority of wine will be retailed at the winery. This is a recognition that wide distribution of limited quantities of wine can be uneconomical, particularly if the unit price is low. Sales at the winery also provide the opportunity for family involvement in the sales and marketing process. The fact that a higher proportion of wine can be sold in this way does not necessarily imply that sales from the winery will be the

# Small Winery Marketing

A Cornell University study of marketing channels and their use by New York State's small wineries

by Richard Cooper

most profitable. Overhead costs may be high in terms of both staffing and the provision of adequate facilities for wine tasting.

Size of production is clearly not the only factor that determines the use of, and allocation to, market channels. Other factors either singly or in combination influence allocation. The location of the winery, the grape variety-quality-price relationship and the operator's personal preference all help to determine how the distribution channels are used. Because they tend to be interrelated it is difficult to generalize on the combination of factors that results in the observed use of market channels.

Location close to a substantial population center or within a recognized tourist area, given a site that is easily accessible from main highways, is likely to increase the viability of sales at retail from the winery. Less favorable locations may result in the use of wholesalers as a means of reaching distant markets.

The price per bottle, the wine type and the perceived quality of the wine are also seen as affecting the choice of marketing channel. Winery operators producing higher priced varietal wines, particularly viniferas, appear to put greater emphasis on direct supply to liquor stores and the use of wholesale distributors in order to reach a wider, more discriminating audience.

Overlying all the above are the personal preferences of the winery operator. His interest in becoming involved with sales himself, and the availability of staff to perform the sales function may significantly affect the distribution channels that he chooses.

The chart indicates the different channel use according to different size groups. In general, larger wineries sold a smaller proportion of their wine at the winery, and a larger proportion through wholesalers. Proportion of sales direct to liquor stores was highest for the 10,000 -

AVERAGE ALLOCATIONS OF PRODUCTION BETWEEN MARKET CHANNELS BY SIZE GROUP  
21 New York Small Wineries, 1979

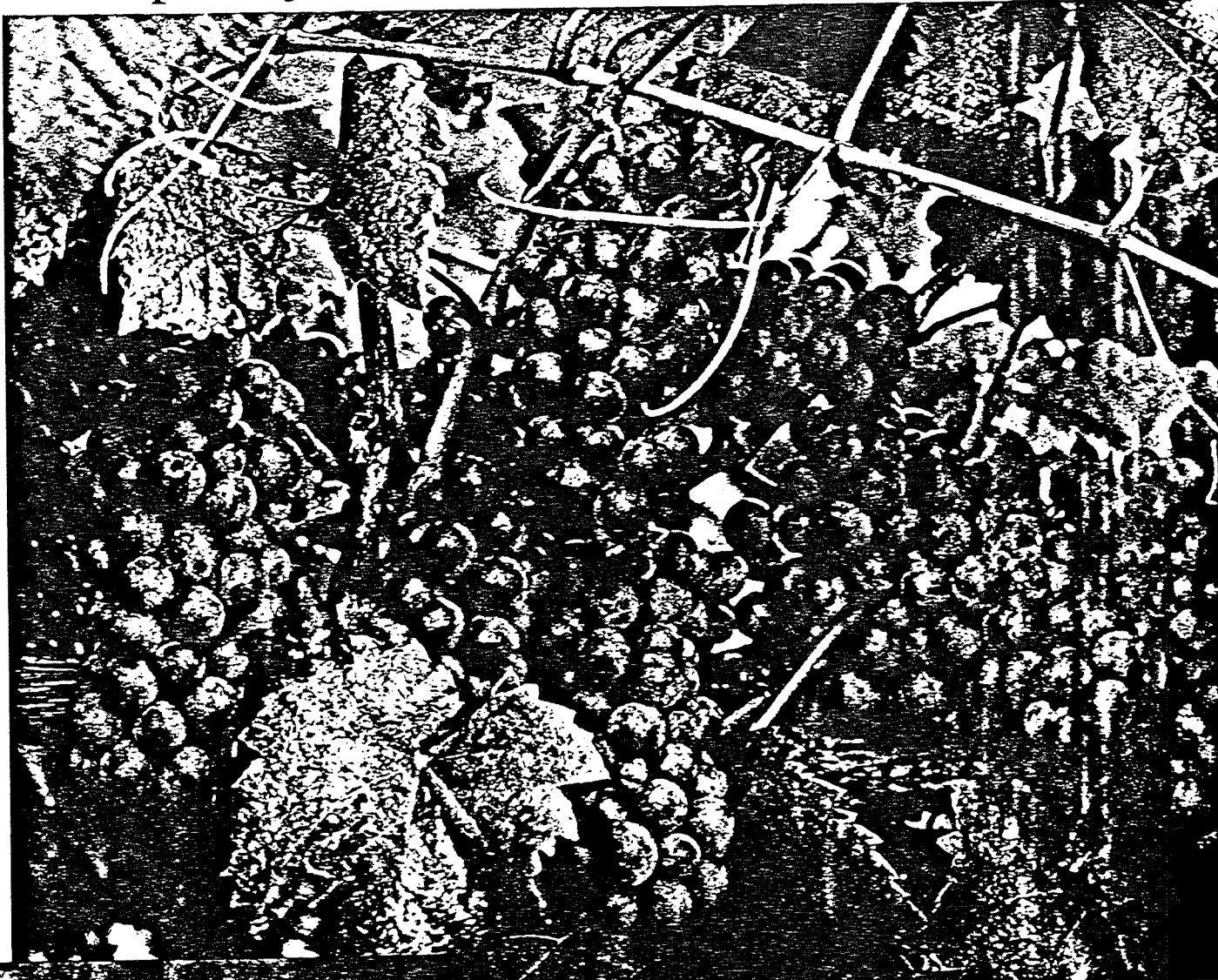
	Under 10,000 Gallons	10,000- 29,999 Gallons	30,000- 200,000 Gallons	All Small Wineries
	percent			
Retail at winery	59	25	32	33
Via wholesaler	6	7	17	15
Direct to retailer	32	61	49	49
Via mail order	3	7	2	3
Total	100	100	100	100



# WINERY

*A special flavor from the vine.*

BY ROSALIE E. LEPOSKY



**T**homas Jefferson would be proud. Jefferson—author of the Declaration of Independence and third U.S. president—grew grapes at Monticello and sought to foster wine-making throughout the young Republic.

By the end of the 19th century, vineyards and wineries were important enterprises in many parts of the nation. Then, in 1917, Prohibition withered the U.S. wine industry. \*

Today, 54 years after Prohibition's repeal, regions where wine hasn't been made commercially for at least 70 years are sprouting new vineyards. California and New York state together account for 99 percent of U.S. grape production, but people in all 50 states are growing grapes.

Even in Kansas, where the temperance movement began, recent legislation allows farmers to grow grapes a



# TOURS

produce wine commercially. "We're waking up the sleeping Rip Van Winkle," says Charles Gentry, secretary-treasurer of the Kansas Grape Growers and Winemakers Association.

Many wineries across the nation welcome visitors—and for bus tour groups many wineries make special accommodations: such as guided tours, off-hours tours, and use of picnic grounds and staff cafeterias. Wine-tasting sessions are part of most winery tours. Some also offer food, ranging from cheese-and-cracker snacks through catered box lunches to multi-course gourmet dinners.

At Monticello, in the foothills of Virginia's Blue Ridge Mountains, visitors can see Jefferson's vineyards re-created by Peter Hatch, director of grounds and gardens. Today the vineyard Jefferson built in 1807 grows over 20 different varieties of wine and table grapes which Jefferson tried to grow.

"While there is no record Jefferson ever made wine at Monticello, our vineyards are growing, and we may try to make wine, using historical methods," says Cinder Stanton, Monticello's historian.

Monticello receives over 500,000 visitors a year so scheduling tours in advance is important. Write: *Monticello Tour Information, P.O. Box 316, Charlottesville, VA 22902; or call (804) 295-8181.*

Between the Rappahannock and Potomac rivers, east of Fredericksburg, lies the Northern Neck George Washington Birthplace Viticultural Area, designated by the U.S. government as a region where soil and air conditions are ideal for grape growing. L. Woodrow Story, president of James River Bus Lines, says his firm will transport organized tour groups through this region.

For general information on the New York wine industry, contact: *New York Wine & Grape Foundation, Elm & Liberty Streets, Penn Yan, NY 14527; (315) 536-7442.*

The Renault Winery offers gourmet dining as well as a winery tour. By advance reservation, tour groups may request a family-style luncheon or dinner cooked by Cynthia Milza, an Academy of Culinary Arts graduate. On week-ends, Milza prepares French classic cuisine in Restaurant Renault atop the winery.

Milza and her husband, Joseph, bought Renault Winery from the D'Agostino family in 1977. The 1,400-acre property includes 80 acres of vineyards, a museum, and a chateau-style hospitality house. Master vintner Louis Nicholas Renault established the winery in 1864.

A highlight of the region is the 2,000-acre Ingleside Plantation Vineyards, a functioning farm and winery which produces 12 kinds of wines and three kinds of champagnes.

About 12,000 visitors a year tour Ingleside, including groups from Washington, D.C., Richmond, and Norfolk. Tour groups may see grape stamping or take part in a champagne-tasting session. With two weeks notice, the staff will provide catered box lunches. For information, contact: *Ingleside Plantation Vineyards, P.O. Box 1038, Oak Grove, VA 22443; (804) 224-8687.*

A free publication on Virginia's wine country, "The Spirit That Built America Is Taking Root," is available from: *Virginia Division of Tourism, 202 N. Ninth St., Suite 500, Richmond, VA 23219; (804) 786-2051.*

New York state has four viticultural areas: Lake Erie, the Finger Lakes district, the Hudson River valley, and the Hamptons on Long Island. Statewide, New York has more than 80 wineries which produce over 30 million gallons of wine a year. Each year 500,000 tourists visit New York wineries and vineyards.

America's oldest winery, the Brotherhood, will celebrate 150 years of continuous operation in 1989. During Prohibition, it survived by making sacramental wines. It has offered guided tours since 1961 through a labyrinth of cavernous underground cellars built between 1839 and the Civil War era.

This year, a new tasting and sales area in a converted champagne vault with skylights atop the cathedral ceiling awaits guests at the end of the tour. Participants in group tours receive a bonus package of cheese and crackers. A new co-owner, international wine master Cesar Baeza, is developing Brotherhood Village, a wine-oriented shopping center and museum which will be completed this fall adjacent to the winery.

The Brotherhood is in the Hudson Valley near West Point. For tour information, contact: *Jean Guinup, Director of Sales and Public Relations, Brotherhood Winery, 35 North St., Washingtonville, NY 10992; (914) 496-3661.*

In the Finger Lakes region of northwestern New York, where vineyards thrive on good drainage and a temperate climate, the Taylor Wine Company

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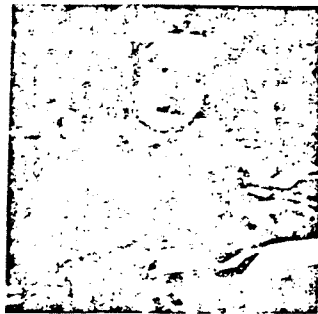
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# Wise & Otherwise



P.E. HIARLING

Symposium. A few months ago, Larry Walker met him in New York. Pat's being featured in Larry's story on how California wines stack up against the imports in NYC. Watch for the piece in the May '85 W&V.

**MARKETING:** I like the idea of specially-designated wines. Take Kenwood Vineyards' Artist Series Cabernet Sauvignon. The winery blends its best lots of Cabernet, then bottles the blend separately with an original painting for the label. True, Mouton-Rothschild has used artists for years. But Kenwood's special label sets the wine apart from its other offerings. As does the price. Its 1981 Artist Series Cabernet retails for about \$25. Kenwood is in California's Valley of the Moon.

**LIQUOR** Barn, the 103-store chain, held wine education sessions at six of its California locations last year. Session #1 was an intro to wine for the novice; session #2 was on varietal identification; #3 was "Advanced Component Identification," and #4 was "Wines of the World." Each seminar cost \$25. One hopes LB will continue with the seminars, and that other wine shops will follow suit. Steve Boone, operations manager for Liquor Barn, told wine marketers that for consumers, a store's selection is the most important factor. Next comes price. Service is third. By "service," Liquor Barn means tastings and a newsletter.

**THE** nouveau beat goes on. We've heard of these wines, French or American, delivered to market via chartered jet, dropped with British airborne troops into London, even sent by steamboat to Sacramento. Enter the Hollywood touch. Creston Manor Winery had its '84 Pinot Noir Nouveau delivered to Scandia Restaurant in Los Angeles via stagecoach. Aboard were wine writer Robert Lawrence Balzer and actor-connoisseur Burgess Meredith. What kind of novel delivery can we expect in '85?

**SPAIN** and Portugal, both major wine producing countries, are to become members of the European Economic Community sometime next year. How to accommodate the two, given the already overflowing wine lake? Well, the EEC has agreed to limit member-country production to 10 million hectoliters per year. That's admirable restraint for you. The plan is to limit the surplus is to limit the surplus to replant vineyards and to force distillation of some wine into industrial alcohol. That's fine unless you happen to have some molasses you'd like distilled for industrial use. Whether the EEC plan will work or not, of course, remains to be seen.

**HOORAY** for Virginia's fall tourist campaign. It combined the appeal of fall travel in the state with wine country tours. Other states take note. The ad campaign was the state's largest ever for fall. In addition, a 32-page guide booklet was available from the tourism department. Newspaper ads calling attention to Virginia's wine country ran in New York, Maryland, Pennsylvania and Washington, D.C. newspapers. The campaign marked the first time Virginia's wine industry was promoted with paid advertising. The total promotion cost the state about \$1 million.

**AND** now, New Zealand wines by mail. The New Zealand Collection in Watsonville, Calif. (122 Manfre Rd., 95076) has taken a page from the Windsor Vineyards book. A handsome, self-mailing promo piece announced consumers could order Chateau St. Philippe wines with free personalized labels. The company certainly made it easy to order, what with a postage-paid return envelope and free freight via UPS. Of course, the usual stipulation that shipments can't be made outside of California. Selling wines from Down Under by mail is nothing new. George Kolarovich, ex-South Australian now in the Napa Valley (P.O. Box 3218, Yountville, CA 94599), sells Aussie wines under the Claridge label and Napa Valley wines under the Fairmont banner.

**THERE'S** gold in them thar calories—or the lack thereof—says Frost & Sullivan, Inc., New York research firm. A new study by F&S (Diet Foods and Beverages) predicted the market for such products will rise by 60% by 1990 to represent a \$41.2 billion

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 GRAPHICS**

play down the impact of imports on American wine pricing.

### World Wine Consumption

The single most fundamental cause of problems for the wine industry worldwide today is declining per capita wine consumption in most of Europe's leading winegrowing nations. The statistics are clear enough, but they raise many questions. Why does wine consumption show sharply divergent trends in neighboring winegrowing countries like Argentina and Chile, or Spain and Portugal? Why has the consumption of distilled spirits in some key European nations increased while wine consumption has dropped?

The figures below were compiled by Wine Institute from data collected primarily by the Office International de la Vigne et du Vin.

	per capita consumption in gallons, 1982	percent change from 1972
France	22.72	-19.5
Italy	21.87	-17.2
Portugal	20.70	+12.3
Argentina	19.45	-7.6
Spain	15.06	-14.9
Chile	14.45	+24.6
Switzerland	12.80	+15.3
Luxembourg	12.23	+11.6
Greece	11.62	+9.9
Austria	9.25	-18.0
Hungary	7.85	-25.7
Romania	7.63	+32.5
Yugoslavia	7.45	+2.6
Uruguay	6.60	0
West Germany	6.55	+27.7
Bulgaria	5.81	+13.7
Australia	5.05	+114.9
Belgium	4.97	+45.7
Denmark	4.17	+110.6
U.S.S.R.	3.80	+19.9
Holland	3.49	+69.4
Czechoslovakia	3.17	+13.2
Cyprus	3.12	+43.8
Sweden	2.77	+32.5
Poland	2.50	+53.3
South Africa	2	+30.4
Canada	2.32	+78.5
United States	2.21	+78.5
United Kingdom	1.91	+78.5
Finland	1.36	+7.1

**Truluck an Outstanding Tourist Spot**  
Truluck Vineyards won South Carolina's 'Most Outstanding Tourist Attraction Award' for 1983. The Lake City winery hosts three festivals each year with different themes and augments its winery tour and picnic grounds with nature trails. South Carolina Lt. Governor Mike Daniel presented the award to winery president and winemaker Jim Truluck and vice-president/general manager Jay Truluck.

### Wine Comps Call for Entries

The San Diego County Fair wine judging has been expanded from California-wines only to a national competition, open to all wineries in the U.S. Only five wine types will be accepted: Cabernet Sauvignon, Chardonnay, Sauvignon/Fume Blanc, Pinot Noir, and bottle-fermented sparkling wine. The judging will be held on June 3. For entry information, contact the San Diego National Wine Competition, 4668 Van Dyke Avenue, San Diego, CA 92116; telephone 619/274-8656 or 584-1930 (evenings).

The Finger Lakes Appellation Wine Judging will return to the Cornell University campus for 1984, scheduled for the week of June 11-14. For more information: Bill Brown, 5132 Route 89, Romulus, NY 14541.

restaurant from 46 within the state, the booklet features information of almost every winery with map and label rep

### Calendar

May 17-19  
**Third Annual New Mexico Growers & Wine Makers Conference**, New Mexico State University, Las Cruces. All-day wine workshop conducted by Rector begins at 10 A.M. Sessions on May 18 cover viticulture and enology and Arkansas, grape production in northern New Mexico, grape certification, Pierce's Disease, and Equipment demonstration. For information contact: Esteban Herrera, Las Cruces, NM 88003; telephone 505/522-5165.

June 21-23  
**35th Annual Meeting of the American Society for Viticulture**, Town & Country Hotel, San Diego, CA. Contact: M. Thomas, ASEV, P.O. Box 10, Davis, CA 95617; telephone 753-3142.

June 23  
**3rd Annual New England Conference**, Westfield State College, Westfield, MA. Topics include marketing, winemaking, viticulture and government relations. For more information contact: Westfield State College, Westfield, MA 01181/568-1992.

June 24-26  
**USA Wine Expo III**, Faneuil Hall Plaza Hotel, Boston. Contact: the National Wine Distributors Association, Suite 760, 100 Ontario St., Chicago, IL 60601; telephone 312/951-8800.

June 25-28  
**International Symposium on Climate in Viticulture**, Lane County Convention Center, Eugene, OR. See page 10 for program and registration information.

June 27-30  
**Texas Grape Day**, Dallas Convention Center. For program information contact: George R. McEwen, Drawer A7, College Station, TX 77843; telephone 713/778-4343.

### NY Cold Storage Report

Single Strength Juice in Cold Storage, New York State

	1984	1983	1982	1981
Jan	79.3	48.7	94.5	92.1
Feb	64.1	38.3	73.9	82.4
Mar		40.2	70.5	70.4
Apr		22.1	45.9	48.5
May		19.2	51.3	47.1
June		12.3	31.1	34.8
July		7.4	19.3	26.9
Aug		11.4	16.5	16.5
Sept		34.5	32.1	22.1
Oct		102.4	88.1	105.3
Nov		103.0	75.4	105.0
Dec		93.2	58.6	94.2

Concentrated Juice in Cold Storage, New York State

	1984	1983	1982	1981
Jan	29.5	26.2	24.7	18.2
Feb	26.0	22.3	22.3	18.1
Mar		23.9	22.7	17.3
Apr		24.0	20.3	18.3
May		17.1	18.1	20.0
June		18.6	19.5	20.7
July		21.3	19.9	17.3
Aug		20.1	19.1	21.7
Sept		18.3	20.2	18.9
Oct		29.9	25.2	28.0
Nov		28.2	26.8	24.5
Dec		28.7	26.8	24.7

Figures are given in millions of pounds. Source: New York State Crop Reporting Service, Albany.

### The Ultimate NY Wine List

To keep up with its expanding cellar of New York State wines (and only NY wines), Turback's Restaurant of Ithaca has developed a 24-page wine list doubling as a souvenir guide to NY wine. In addition to a listing of 199 wines offered at the Finger Lakes

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cordially invite you to

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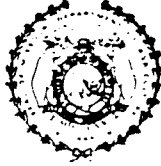
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#

## DEPARTMENT OF AGRICULTURE

STATE OF MISSOURI

JEFFERSON CITY

JOHN ASHCROFT  
GOVERNORCHARLES E. KRUSE  
DIRECTOR

## MEMORANDUM

TO: GRAPE AND WINE INDUSTRY #

FROM: JAMES G. ASHBY, MANAGING CONSULTANT, GRAPE & WINE PROGRAM

RE: RESEARCH PROJECT FINAL REPORT

DATE: AUGUST 28, 1987

*James G. Ashby*

I have received the final report for the research project entitled "Review of Environmental, Physiological and Cultural Factors that Effect Cold Hardiness and Subsequent Survivability of Grapevines" by Dr. Michele R. Warmund and Joseph V. Slater. This is a very timely and factual report. Anyone desiring to receive a free copy of the report may write my office at:

Missouri Department of Agriculture  
Grape & Wine Program  
P.O. Box 630  
Jefferson City, MO 65102

Mark your calendars now... The 1988 Midwest Regional Grape and Wine Conference will be held at the Lodge of the Four Seasons on January 28, 29 and 30, 1988.

cc: S. Wayne Yokley, Director, Market Development Division

JGA/gmp

*AgriMissouri*

DIVISION OF MARKET DEVELOPMENT  
P.O. Box 630, Jefferson City, MO 65102-0630  
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1616 Missouri Boulevard

# 8

## Connecticut Approves Vineyard Support\* Ten Farm Wineries Licensed

#

With 10 bonded farm wineries, 12 larger vineyards and numerous smaller vineyards of less than two acres, Connecticut's wine industry is still in its infancy. However, the industry was recently given a boost when the Connecticut state legislature granted the Connecticut Farm Wine Development Council legislative authority in July 1987 as a planning and advisory group to the state Department of Agriculture. As its first project, the Council has organized an exhibit of Connecticut wines for the New England States Exposition held in Springfield, Massachusetts in late-September.

\* The Hartford Graduate Center, School of Management, 275 Windsor St., Hartford, Conn. 06120-2991, 203/548-2400. Ms. Morton's initiative and Forecasting Course could lead to focusing the diverse wine interests of all New England into a center that could develop the great potential of micro climates being found in this northern but moderate climate.

Ms. Joanne M. Morton, an adjunct lecturer at The Hartford Graduate Center in Hartford, Connecticut has chosen the outlook of the wine industry in Connecticut for a class project in her Market and Business Forecasting course.

"As an emerging industry—in our own backyard, no less—in today's rapidly changing world," she says, "the future of the wine industry in Connecticut appeared to be not only a fun, but interesting topic. Our goal this semester is to utilize various forecasting methods and techniques used in futures research—brainstorming, scanning and monitoring, networking, conversational Delphi, cross-impact analysis and scenario building—to recognize and monitor changes and trends affecting the wine industry which may create unique business opportunities for Connecticut wine-makers."

### HOMAGE TO A WINE CELLAR

Those corked columns of aged  
nobility,  
They charge one's loyalty  
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While cradling a native  
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To far lands, envoys of  
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# 9

**CAPITAL COST SUMMARY**

Item	Minimum Possible 10,000 gal Winery	Average Expenditure 10,000 gallon Winery	Well Endowed Winery 10,000 gal Volume
Scale	\$ 200	\$ 800	\$ 2,500
Fork Lift	---	1,000	3,500
Crusher-Stemmer	400	1,200	9,500
Grape Press	4,000	10,000	13,000
Fermenters	600	1,200	5,000
Storage Containers	6,000	12,000	40,000
Transfer Pumps	300	1,000	3,000
Filter Unit	600	5,500	7,000
Bottling Unit	600	1,500	8,000
Labeller	400	500	4,000
Laboratory Equipment	300	700	1,200
Miscellaneous Capital items	500	2,000	5,000
<b>Total</b>	<b>\$13,900</b>	<b>\$37,400</b>	<b>\$101,700</b>

**Mississippi Offers No Interest Loans**

Mississippi is encouraging farmers to plant muscadine vineyards as a low investment/high return cash crop by offering interest free loans up to \$50,000 with no payment until the sixth year. The new "Emerging Crop Fund" bill has been passed by the Legislature and approved by the Governor.

A new leasing program for some vineyard materials and vineyard equipment is also available. It will allow growers to lease equipment which will require less money up front and carries tax advantages, according to the Mississippi Dept. of Agriculture, P.O. Box 1609, Jackson, MS 39215-1609.

**French May Make New York Sparkling Wine**

A. Charbaut et Fils, Epernay, France, one of the great family-owned Champagne houses, is conducting tests with New York grown Chardonnay and Pinot Noir grapes with the view of establishing production in the Finger Lakes and Hudson River Valley, the first time that foreign investors have come there.

American thirst for sparkling wine and the lack of further vineyard space in the French Champagne region have prompted M. Rene Charbaut to make feasibility studies in the U.S., according to Howard G. Goldberg in the *New York Times*, Sept. 16th. He has settled on New York instead of California because it is too warm for good Chardonnay sparkling winemaking. His family vineyards of 138 acres are planted to Chardonnay and Pinot Noir. His 1979 Certificate Rose Champagne retails for \$68 per bottle.

MEMORANDUM

TO: The Honorable Robert H. Miller, Chairman  
House Committee on Federal and State Affairs

FROM: Harley T. Duncan, Secretary of Revenue

DATE: April 5, 1988

SUBJECT: Senate Bill 598

Senate Bill 598 would allow a farm winery to sell its products to licensed wine distributors and retailers, in addition to selling to consumers for off-premise consumption. Currently a farm winery can only sell to a wine distributor and directly to consumers. The provisions of Senate Bill 598 represent a return to the distribution scenario established for farm wineries in the 1985 legislative session. Although the bill appears to complicate the current three-tier distribution system by allowing direct sales to retail liquor stores, the department is not opposed to such a change.

Section 1 (e) requires further definition as to qualifications for a "bona fide group of grape growers or wine makers" and exact limits on "small quantities of wine." Without additional clarification this section simply creates an untaxed means for bringing wine into the state without going through existing distribution channels. Although the secretary is granted power to address these issues by rules and regulations, there is some concern that further statutory definition may be needed to support such rules and regulations.

Section 4, 5 and 6 would allow licensed wine, beer and spirits distributors to remove products from their bonded warehouses to serve as samples to the general public on the licensed premises. There appears to be a potential for abuse in such a situation.

K.A.R. 14-14-6 (see attached) is currently used to provide for and regulate industry seminars. This rule outlines procedures which assure that all alcoholic liquors used by a distributor for marketing purposes such as seminars and tastings are properly handled. The rule authorizes distributors to hold seminars for other licensees and their employees. If distributors are to be allowed to remove liquor directly from their warehouses, the department would recommend that they be required to notify the ABC of the type and quantity removed and dates and times of any seminars or samplings. We would also request that distributors are restricted to providing samples only to other licensees and their employees.



ARTICLE 14 - MANUFACTURERS; DISTRIBUTORS;  
NONBEVERAGE USERS; FARM WINERIES; MICROBREWERIES

14-14-6. Industry seminars. (a) Manufacturers and distributors may be authorized by the director to hold seminars for other licensees and their employees. Authorization shall be requested no less than seven days prior to the event.

(b) Each request shall include the following information:

(1) The date of the seminar;

(2) the time of the seminar;

(3) the exact location where the seminar will be held;

(4) a statement that any franchised-posted alcoholic liquor served will be purchased from a Kansas retail liquor store or the drinking establishment on which the seminar is conducted;

(5) a statement that the seminar is being conducted solely for product information and marketing purposes; and

(6) a statement that any alcoholic liquor samples offered will be consumed on the premises and in accordance with provisions of Kansas law. (Authorized by K.S.A. 41-210 as amended by L. 1987, ch. 182, sec. 10; implementing K.S.A. 41-714 as amended by L. 1987, ch. 182, sec. 51; effective, T-89-2, Jan. 7, 1988.)



## Cooperative Extension Service

Extension Horticulture  
Waters Hall  
Manhattan, Kansas 66506  
913-532-6173

Representative R.H. Miller, Chairman  
House Committee on Federal & State Affairs  
State House  
Topeka, KS 66612

Dear Representative Miller:

RE: Senate Bill 598

Senate Bill 598 addresses legislation which, if passed, would significantly increase the marketing potential of an agricultural commodity, and help nourish the growth of a grape production and marketing industry in Kansas. If Senate Bill 598 is not passed, the sales potential for French hybrid grapes and wines would be greatly limited and the development of the industry would not be economically possible.

Farm market on-premise sales of fruit and vegetable products has been established in Kansas for over 50 years. These farm markets have a high volume of business during Saturdays and Sundays when many consumers are off their regular jobs. These purchasing practices also apply to sales at farm wineries. Among the states of Missouri, Arkansas, Illinois, Indiana, Ohio, Michigan, Wisconsin, Iowa, and Colorado, each permits sales of wine, fruits, vegetables and related farm products each day of the week including Sunday. Also, each state permits on-premise tasting of wine. For many farm wineries over 50 percent of the sales are direct to consumers making on-premise purchases. If this marketing practice is inhibited, farm wineries and French hybrid vineyards will not become established in Kansas.

The potential for grape production in Kansas has been well established by the growing and harvesting of grape on 4,600 acres of farmland throughout Kansas prior to 1900. Over 50 different grape varieties have been tested in Kansas State University research programs in Doniphan, Riley and Sedgwick counties since 1950. The high light intensity in Kansas promotes the development of high quality fruit with characteristics suitable for processing.

Incentives to establish businesses in Kansas are actively promoted by nearly every community in the state. These incentives are in different forms, including site locations, tax advantages and assistance with utility

KSU, County Extension  
Councils and U.S. Department  
of Agriculture Cooperating.

All educational programs and  
materials available without  
discrimination on the basis  
of race, color, national  
origin, sex, or handicap.

Attach C

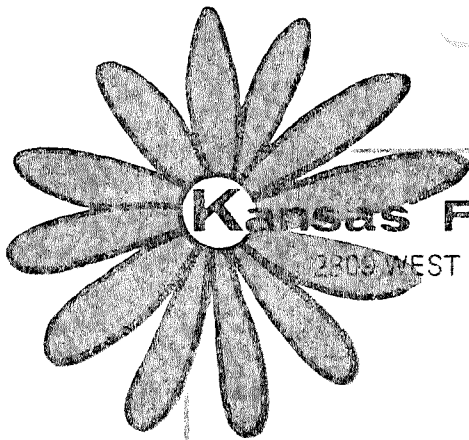
services. The passage of Senate Bill 598 would provide incentive for the development of this agricultural business which has been inhibited and latent for a century. Furthermore, passage of the bill would allow the agricultural businesses in Kansas to operate programs with procedures consistent with other states.

If there is additional factual information I can supply as a professional horticulturist regarding this potential industry, I would be most willing to accommodate.

Sincerely,

A handwritten signature in cursive script that reads "Frank D. Morrison". The signature is written in dark ink and is positioned above the typed name.

Frank D. Morrison  
Extension State Leader  
Horticulture Program



# Kansas Food Dealers' Association, Inc.

2809 WEST 47th STREET SHAWNEE MISSION, KANSAS 66205  
PHONE: (913) 384-3838

April 1988

## HOUSE FEDERAL & STATE AFFAIRS

### SUPPORTING SB 598

EXECUTIVE DIRECTOR  
JIM SHEEHAN  
Shawnee Mission

#### OFFICERS

PRESIDENT  
LEONARD MCKENZIE  
Overland Park

VICE-PRESIDENT  
MIKE DONELAN  
Colby

TREASURER  
SKIP KLEIER  
Carbondale

CHAIRMAN OF THE BOARD  
CHUCK MALLORY  
Topeka

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JOE WHITE  
Kingman

#### DIRECTOR OF GOVERNMENTAL AFFAIRS

FRANCES KASTNER

The Kansas Food Dealers supports SB 598 and any other bill that gives the businessman the right to make an independent decision on how to make a profit.

We see the passage of this bill as a step towards promoting the products grown in Kansas. Expensive advertisements are used by the business community as well as the State trying to improve the image of Kansas as tourists pass through our State. Money has been spent to encourage tourists to "linger longer" as they speed along our highways towards their ultimate destination. Yet state laws prohibit the business community to make important marketing decisions as to whether to remain open on Sunday or later at night to accomodate tourists as well as our own citizens.

In our opinion, the laws should be written in a manner to permit the sale of ANY alcoholic beverage, or cereal malt beverage, so that equality prevails among those businesses offering the beverages for ON or OFF PREMISE consumption.

The expansion of hours for sale of a legal product should be a matter of business judgement, rather than a matter of legislating in favor of a particular segment of any industry of business entity.

Believe me when I say no businessman is going to stay open extra hours if it is not profitable. We have grocers in Kansas who stay open on Sunday, or are open 24 hours a day, but they have that choice. If they find it is not a paying proposition, they change their hours. It is doubtful that a winery would be open between 6 a.m. and 12 midnight during the middle of the winter, but they should have the opportunity to make a business decision to do so during summer months.

As an organization we are firmly in favor of giving consumers the choice of when and where to spend their money for food, wine, or cereal malt beverage, and to decide whether to consume it ON or OFF PREMISES.

*Frances Kastner*

Attach D

Hearing on SB 598, April 5, 1988  
House Federal & State Affairs Committee

Richard Taylor,  
KANSANS FOR LIFE AT ITS BEST!

Promoters of our most abused drug claim this is a farm economic development issue.

No one is more concerned for the economic health of Kansas farmers than I am. Both my grandfathers were Kansas farmers. My Dad was a Kansas farmer. I was born and raised on a Kansas farm. I want farmers to prosper.

If this committee is truly concerned for economic development, amend the controlled substance statute. Amend KSA 65-4102 (d) to read, "AUTHORITY TO CONTROL UNDER THIS SECTION DOES NOT EXTEND TO DISTILLED SPIRITS, WINE, MARIJUANA, MALT BEVERAGES OR TOBACCO."

Farmers would never have any problems paying off their loans if they were allowed to produce and sell marijuana. Talk about conventions and tourists? Kansas highways and hotels could not accomodate the thousands who would flock here. And taxes! Just think of all the tax revenue flowing into Kansas coffers. Every argument given by beer and liquor promoters applies equally to marijuana.

Why turn good Kansas grapes into our number one highway killer? Why make Kansas grapes into the drug responsible for half the hospital and medical costs of this nation? Who wants Kansas grapes involved in child and wife abuse?

My wife and I eat a lot of grapes. The supermarket price seems plenty high. Kansas grape growers should sell their product as a healthy food. Why should you pass a law that encourages Kansas grape growers to let their product rot and become our number one drug problem?

When you amend KSA 65-4102 (d), you could also write this into law. "The director may issue to the Kansas state fair or any bona fide group of marijuana growers a permit to import into this state small quantities of marijuana. The permit shall specifically identify the brand and the quantity permitted to be imported. Such marijuana shall be used only for bona fide educational and scientific programs and shall not be resold." That law would make just as much sense as this law before you.

Lawmakers who vote YES on 598 are saying dollars in the pockets of a few greedy Kansas grape growers are more important than public health and safety for Kansans. Last night on television, as the nation watched hard work and determination bring a national championship to Kansas, there was a spot sponsored by the NCAA. I would like very much to have a tape of that spot and show over and over across our state. A young athlete with well chosen words told the nation to make a wise choice, JUST SAY NO TO ALCOHOL AND OTHER DRUGS. He said a healthy body and sound mind are much more important than good feelings that come from the use of drugs.

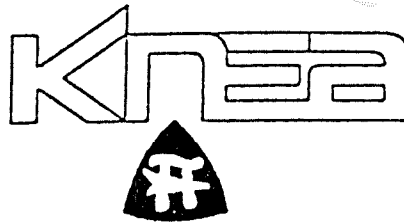
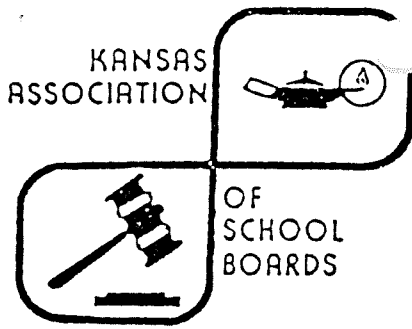
I find it difficult to understand how any mature and intelligent adult can claim to be concerned for less drug suffering when they promote the chipping away of laws controlling the one drug that causes more human suffering than all other drugs combined.

The issue in 598 is not drinking. The issue is, "Do you want to promote and glamorize more drinking?" I have many friends who drink. They are superior to me in many ways. But concerned users refuse to promote increased use. They say enough is enough.

Respectfully yours,

*Richard Taylor*

Attach 5



SB 737

Testimony Presented before the House Committee  
on Federal and State Affairs  
by Gerald W. Henderson, Executive Director  
United School Administrators of Kansas

Mister Chairman and Members of the Committee:

First of all we thank the chairman for scheduling hearings on SB 737 on such short notice. Secondly, we realize that you are under the pressure of an extremely busy floor agenda, so we will be brief.

SB 737 contains language drafted by the Department of Human Resources at the request of Mr. Dale Dennis, who became aware of the problem about a month ago.

The essence of the problem is that the increased use of Section 125 Cafeteria Plans by Kansas school districts for employee fringe benefit packages has created a question about what amounts of compensation are subject to unemployment tax. Under current law, school districts will have to keep track of benefits paid before shifting to Section 125 and benefits paid after 125. These records would have to be kept for each employee.

SB 737 will clean up all this confusion by providing that only compensation subject to federal income tax would be subject to state unemployment tax.

A second problem is illustrated by an example prepared by Mr. Dennis' office which shows that two schools providing the same salary and benefit totals would pay varying amounts of unemployment tax. We doubt that such is the intent of the law.

KANSAS

# DEPARTMENT OF HUMAN RESOURCES



## CONTRIBUTIONS

401 S.W. Topeka Boulevard, Topeka, Kansas 66603-3182  
(913) 296-5025

Mike Hayden, Governor

**RECEIVED**

Dennis R. Taylor, Secretary

February 19, 1988

FEB 23 1988

Kansas State Department of Education  
120 East 10th Street  
Topeka, Kansas 66612-1103

**FINANCIAL  
SERVICES**

RE: Cafeteria Plans

ATTN: Dale M. Dennis  
Assistant Commissioner

Dear Mr. Dennis:

This is in answer to your request for clarification concerning Kansas' treatment of cafeteria plans for unemployment tax purposes.

The Department of Human Resources' position regarding the status of "wages" under the Kansas unemployment insurance law of payments made under "cafeteria plans" (as described under Section 125 of the Internal Revenue Code) is as follows:

K.S.A. 44-703(o) of the Kansas Employment Security Law includes within the definition of wages all compensation for services including commissions and bonuses, and the cash value of all remuneration in any medium other than cash. Any payments that are not excludable under this section should be reported, and are taxable to the extent that total wages paid to each employee including such payments do not exceed the taxable wage base.

Payments made under a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code are not considered to be taxable wages for the Kansas unemployment insurance program when the benefit chosen is specifically excludable under the Kansas law and by reference through K.S.A. 44-703(o).

The clarification is not simple as a determination must be made for each employee after the selection of benefits has been chosen by that employee. The process would then continue in the determination of whether that employee's particular benefit or benefits are excluded under the Kansas Employment Security Law.

I have enclosed a copy of the applicable pages setting forth the definition of wages for your reference.

Mr. Dale M. Dennis  
February 19, 1988  
Page Two

To determine the affect under Kansas law when a "salary reduction plan" is in effect, you first must determine what is the base compensation for each employee. The base compensation is the amount of compensation the employee is receiving prior to the effective date of the salary reduction agreement between the employer and the employee. A plan may provide that the employer will make employer contributions, in whole or in part, pursuant to a salary reduction agreement under which participants elect to forego increases in compensation. If the benefit chosen is paid from the base compensation amount and not as a result of an increase in compensation, the amount will not be considered paid by the employer. Generally the exclusion from wages require the benefit amount to be paid by the employer, otherwise it would be taxable; however, to be accurate an employer must consult K.S.A. 44-703(o).

The specific benefits, as listed in your letter and applicable to your Section 125 cafeteria plan, should be considered for Kansas unemployment tax purposes as follows:

Health Insurance--exempt under K.S.A. 44-703(o)(2) if paid by the employer.

Term Life Insurance up to \$50,000--exempt under K.S.A. 44-703(o)(2) if paid by the employer.

Cancer Insurance--exempt under K.S.A. 44-703(o)(2) if paid by the employer.

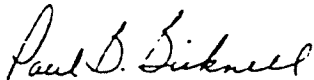
Child Care Payments--exempt under K.S.A. 44-703(o)(11) if paid by the employer.

Prepaid Legal Services--taxable, K.S.A. 44-703(o)(10) shall not apply to taxable years beginning after December 31, 1987. (During the period from July 1, 1986 through December 31, 1987, such payments were exempt if paid by the employer.)

Cash--taxable.

I hope this letter clarifies the issue of Kansas' treatment of cafeteria plans for unemployment tax purposes, and provides you with enough information to notify the school districts. If I may be of further service to you, please advise.

Sincerely,



Paul B. Bicknell  
Chief of Contributions

ssg  
Enclosure



NOTE: K.S.A. 44-703(o)(10), shall not apply to taxable years beginning after December 31, 1987.

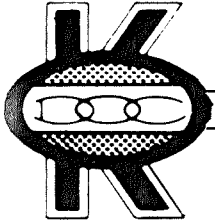
The Tax Reform Act of 1986 (P.L. 99-514) amended subsection (e) of section 120 of the Internal Revenue Code, relating to termination of exclusion for amounts received under a group legal services plan.

K.S.A. 44-703(o)(11), pertaining to Section 127 (educational assistance programs) shall not apply to taxable years beginning after December 31, 1987.

The Tax Reform Act of 1986 (P.L. 99-514) amended subsection (d) of Section 127 of the Internal Revenue Code, relating to termination of exclusion for amounts received under educational assistance programs.

UNEMPLOYMENT TAX  
CAFETERIA PLANS

	<u>1986-87</u>	<u>1987-88</u>
<u>SCHOOL A</u>		
Salary	22,000	22,000
Fringe Benefits	3,000	4,000 (Sect. 125)
TOTAL	25,000	26,000
Subject to Unemployment Tax	22,000	23,000
 <u>SCHOOL B</u>		
Salary	25,000	22,000
Fringe Benefits	0	4,000 (Sect. 125)
TOTAL	25,000	26,000
Subject to Unemployment Tax	25,000	26,000



# KANSAS DEPARTMENT OF CORRECTIONS

MIKE HAYDEN, GOVERNOR

ROGER V. ENDELL, SECRETARY

LONDON STATE OFFICE BUILDING — 900 SW JACKSON  
TOPEKA, KANSAS — 66612-1284  
913-296-3317

April 5, 1988

TO: House Federal and State Affairs Committee  
RE: SENATE BILL NO. 726

## SUMMARY

The Department of Corrections is requesting new legislation which would permit the the state director of accounts and reports to accept for payment amounts due to medical providers for the care of inmates, notwithstanding the fact that such claims were not submitted or processed for payment within the fiscal year in which the service was rendered.

## BACKGROUND

The Department of Corrections began using the Inmate Health Care Claims Processing System in September, 1987. This plan follows a service which SRS has been successfully using since 1978. A contractor was selected by bid to provide a reimbursement methodology to the health care providers at a rate for services which is usually considerably less than what the medical provider would otherwise charge. The Inmate Health Care Claims (IHCC) System is modeled in part on the Department of Social and Rehabilitation Services (SRS) CENPAY system. By similar statute (K.S.A. 39-708a), SRS is not required to encumber CENPAY through the year-end DA-118 process. This proposal seeks a similar exemption for IHCC payments. As indicated in the attached letter from Accounts and Reports, a similar statute is required.

CES/pa

Attachment

Attach 6



OCT 21 1987

DEPARTMENT OF ADMINISTRATION  
DIVISION OF ACCOUNTS AND REPORTSMIKE HAYDEN  
GovernorJAMES R. COBLER  
Director of Accounts and ReportsLandon State Office Building  
Topeka, Kansas 66612-1500  
(913) 296-2311

October 19, 1987

Dick Davis  
Chief of Fiscal Services  
Department of Corrections  
Room 404N-LSOB

Dear Dick:

During the September 29, 1987 meeting to discuss the IHCC system, the question of whether or not these claims would be required to adhere to the state fiscal year constraints was raised. The IHCC system is partially modeled after the Department of Social and Rehabilitation Services (SRS) CENPAY system and as you indicated, SRS is not required to encumber CENPAY through the year-end DA-118 process.

SRS CENPAY obligations are specifically exempted from the normal year-end constraints by K.S.A. 39-708a and the Department of Corrections may wish to seek a similar legislative exemption for the IHCC payments. In the absence of such legislation, I feel that the IHCC payments must adhere to the fiscal year constraints to which they have always been subjected.

This decision will not effect the basic design of the IHCC system, nor should it delay the projected implementation date. You should, however, be aware that normal year-end procedures will apply at the end of fiscal year 1988. We will transmit a proposal concerning the coding of such payments as soon as they have been finalized.

Please feel free to call on me should you wish to discuss this matter.

Sincerely,

A handwritten signature in cursive script that reads "Dale Brunton".

Dale Brunton, Chief  
Administrative Audit Section

RR:jh

cc: James R. Cobler  
W.F. Wachs  
Cecil Rothers  
David Ison

PROGRAMS DIVISION

IMPACT OF DIRECT GRANT APPROPRIATION

<u>Programs</u>	<u>Current Operational Budget</u>	<u>Primary # Served **</u>	<u>Secondary Served</u>	<u>Projected Operational Budget</u>	<u>Projected Primary # Served</u>	<u>Projected Secondary Served</u>
B/L/M	\$ 206,550	21	505	\$ 216,878	22	535
Douglas*	\$ 252,099	25	0	\$ 264,904	27	0
Johnson	\$ 991,684	313	0	\$1,041,268	332	0
Leavenworth	\$ 283,808	47	426	\$ 297,998	50	452
Montgomery	\$ 277,568	57	204	\$ 291,446	60	216
Riley*	\$ 301,700	86	780	\$ 316,785	91	827
Saline	\$ 228,019	60	642	\$ 239,420	64	681
Sedgwick	\$1,278,981	437	29	\$1,342,930	463	31
Shawnee	\$ 587,802	154	10	\$ 617,192	163	11
Wyandotte	\$ 683,384	423	0	\$ 717,553	448	0
TOTALS	\$5,091,595	1,623	2,596	\$5,346,374	1,720	2,753

\* based on expenditure rather than operating budget

\*\* total being served as of 12-31-87 and primary served is prison bound population

ATTACH H

SENATE BILL No. 457

By Special Committee on Federal and State Affairs

Re Proposal No. 13

12-16

0019 AN ACT concerning community correctional services programs;  
0020 relating to funding therefor; amending K.S.A. 75-52,105 and  
0021 K.S.A. 1987 Supp. 75-52,104, 75-52,101, 75-52,103 and 75-  
0022 52.107 and repealing the existing sections; also repealing  
K.S.A. 1987 Supp. 75-52,104 and 75-52,109.

75-5293

0024 Be it enacted by the Legislature of the State of Kansas:

0025 Section 1. K.S.A. 1987 Supp. 75-52,104 is hereby amended to  
0026 read as follows: 75-52,104. (a) Each county receiving grants  
0027 under this act shall be charged a sum determined by the secre-  
0028 tary of corrections which shall be equal to the total of the per  
0029 diem costs to the state general fund of confinement and rehabil-  
0030 itation of those persons who are committed to the secretary of  
0031 corrections on and after the first day of the calendar quarter for  
0032 which the county first receives grant payments under K.S.A.  
0033 75-52,105 and amendments thereto, except that *Except as pro-*  
0034 *vided by subsection (b), whenever the district court of a county*  
0035 *receiving grants under this act orders that a person be commit-*  
0036 *ted to the secretary of corrections, such county shall be charged*  
0037 *\$1,500. If, within 120 days of sentencing, the court modifies*  
0038 *such person's sentence and assigns such person to a community*  
0039 *correctional services program, the county shall be credited*  
0040 *\$500.*

0041 (b) No charge or credit shall be made pursuant to subsection  
0042 (a) for those persons: (1) Convicted of a class A, B or C felony; (2)  
0043 convicted of a class D or E felony who had more than one prior  
0044 felony conviction; (3) convicted of aggravated assault under  
0045 K.S.A. 21-3410 and amendments thereto; (4) convicted of a sex

ATTACHED

I

0046 offense under article 35 of chapter 21 of the Kansas Statutes  
0047 Annotated and acts amendatory of the provisions thereof or  
0048 supplemental thereto; or (5) sentenced under K.S.A. 21-1618 and  
0049 amendments thereto.

0050 (b) In addition to amounts charged under subsection (a) to  
0051 each county receiving grants under the community corrections  
0052 act, on and after the first day of the calendar quarter for which the  
0053 county first receives grant payments under K.S.A. 75-52,105 and  
0054 amendments thereto, a charge shall be assessed against the  
0055 county for each juvenile committed to a state youth center by the  
0056 district court pursuant to K.S.A. 38-1663 and amendments  
0057 thereon in the amount of \$3,000 for the first calendar year the  
0058 county receives the grants and \$6,000 during the second calen-  
0059 dar year and each calendar year thereafter that the county re-  
0060 ceives the grants, except that no charge shall be assessed when  
0061 the commitment to such youth center involves a juvenile ad-  
0062 judged to be a delinquent or a juvenile offender as a result of  
0063 conduct which if committed by an adult would constitute a class  
0064 A, B or C felony, an aggravated assault under K.S.A. 21-3410 and  
0065 amendments thereto or a felony sex offense under article 35 of  
0066 chapter 21 of the Kansas Statutes Annotated and acts amendatory  
0067 of the provisions thereof or supplemental thereto. A charge  
0068 assessed against a county under this subsection shall be assessed  
0069 at the time of commitment of the juvenile except that, if the  
0070 commitment of a juvenile is modified within 60 days as provided  
0071 in subsection (c) of K.S.A. 38-1665 and amendments thereto to  
0072 remove the juvenile from a state youth center, the charge as-  
0073 sessed against the county shall be \$500 for the first calendar year  
0074 the county receives a grant and \$1,000 the second and each  
0075 subsequent calendar year the county receives a grant.

0076 (c) In no case shall the amount charged exceed the amount of  
0077 the grant which the county is eligible to receive under this act.  
0078 The secretary of corrections shall determine the charges under  
0079 subsections (a) and (b) *this section* and shall deduct the appro-  
0080 priate charges from the amount of the grant payable to each such  
0081 county. For individuals convicted of crimes committed after July  
0082 1, 1982, the charges to the county shall be computed on the

0084 actual length of confinement but not to exceed the average  
0084 length of time served, by felony class, for individuals paroled  
0085 during the period July 1, 1982, through June 30, 1983. All such  
0086 charges shall be a charge against the county of commitment  
0087 except that the secretary of corrections may waive a charge  
0088 against a county in a case involving a commitment arising from  
0089 an escape or charge of aggravated juvenile delinquency.

0090 Sec. 2. K.S.A. 75-52,105 is hereby amended to read as fol-  
0091 lows: 75-52,105. (a) Upon compliance by a county or group of  
0092 counties with the requirements for receipt of the grants autho-  
0093 rized by this act and approval of the comprehensive plan by the  
0094 secretary of corrections, the secretary of corrections shall deter-  
0095 mine the amount of the annual grant to each such county and,  
0096 commencing on the next ensuing calendar quarter after approval  
0097 of the comprehensive plan, shall proceed to pay such grant in  
0098 equal quarterly payments in accordance with and subject to this  
0099 act, applicable rules and regulations, and the provisions of ap-  
0100 propriations acts.

0101 (b) Within ten (10) days after the end of each calendar  
0102 quarter, each county receiving quarterly grant payments under  
0103 this act shall submit to the secretary of corrections certified  
0104 statements detailing the amounts expended and costs incurred  
0105 for the correctional services described in K.S.A. 75-5201 and  
0106 amendments thereto. Upon receipt of such certified statements,  
0107 the secretary of corrections shall determine whether each such  
0108 county is in compliance with the expenditure and operation  
0109 standards prescribed under this act for such services and shall  
0110 determine the quarterly payment amount each such county is  
0111 entitled to receive after making any adjustments for reductions  
0112 or charges or increases as required by or in accordance with this  
0113 act and applicable rules and regulations.

0114 (c) The secretary may provide by rules and regulations pro-  
0115 cedures for:

0116 (1) The reduction of a grant payment to a county which has  
0117 not expended the entire amount of the county's previous grant  
0118 payments; and

0119 (2) an increase in the grant payments to one or more other



0120 counties in an amount not exceeding such reduction, as deter-  
0121 mined by the secretary to further the purposes of this act.

0122 (d) Quarterly grant payments for counties entitled thereto  
0123 under this act shall be made upon warrants of the director of  
0124 accounts and reports issued pursuant to vouchers approved by  
0125 the secretary of corrections or by a person or persons designated  
0126 by the secretary of corrections to the county treasurers of such  
0127 counties.

0128 Section 1. K.S.A. 75-52,101 is hereby amended to read as  
0129 follows: 75-52,101. (a) In accordance with this section, the sec-  
0130 retary of corrections shall annually determine the amount of the  
0131 grant for the next ensuing calendar year to each county which  
0132 has qualified to receive grants under this act.

0133 ~~(b) Each of the following factors shall be calculated for each~~  
0134 ~~county participating under this act:~~

0135 ~~(1) Per capita income;~~

0136 ~~(2) per capita adjusted valuation, as defined in subsection (e)~~  
0137 ~~of K.S.A. 72-7040 and amendments thereto, for the preceding~~  
0138 ~~calendar year;~~

0139 ~~(3) crimes per one thousand 1,000 population; and~~

0140 ~~(4) percent of county population aged five through twenty-~~  
0141 ~~nine 29 years of age.~~

0142 ~~(e) The per capita income shall be determined from the most~~  
0143 ~~recent county personal income data compiled by the division of~~  
0144 ~~the budget of the department of administration.~~

0145 ~~(d) The crimes per one thousand 1,000 population of each~~  
0146 ~~county shall be determined from the most recent compilation of~~  
0147 ~~Kansas crime statistics by the Kansas bureau of investigation.~~

0148 ~~(e) The percent of county population aged five through~~  
0149 ~~twenty-nine 29 years of age of each county shall be determined~~  
0150 ~~by the division of the budget of the department of administra-~~  
0151 ~~tion.~~

0152 ~~(f) After calculating the factors under subsection (b), the~~  
0153 ~~following factors shall be calculated for each county:~~

0154 ~~(1) Each county's per capita income shall be divided into the~~  
0155 ~~one hundred five 105 county average;~~

0156 ~~(2) each county's per capita adjusted valuation, as defined in~~

(b) Each county qualifying for a grant under this act shall annually submit a proposed plan and budget to the secretary of corrections. The secretary of corrections shall review the proposed plan and budget and shall make a determination as to what portion of the proposed plan and budget shall be included in the grant to the county for the purpose of providing correctional services as described in K.S.A. 75-5291 and amendments thereto.

(c) The proposed plan and budget submitted by the county shall be reviewed by the secretary of corrections as provided by K.S.A. 75-52,102 and amendments thereto. A county may periodically submit a revised plan and budget to the secretary of corrections. The secretary shall review the proposed revisions and may make appropriate modifications to the grant awarded to the county.

(d) The secretary of corrections shall conduct on an annual basis a program and fiscal audit of each plan to which grant funds have been awarded.

Section 2. K.S.A. 75-5293 is amended to read as follows: 75-5293. In order to assist a county or group of cooperating counties which has established a corrections advisory board but which does not have a comprehensive plan which has been approved by the secretary of corrections and which requires financial aid to defray all or part of the expenses incurred by corrections advisory board members in discharging their official duties pursuant to K.S.A. 75-5299, the secretary of corrections, upon receipt of resolutions by the board or boards of county commissioners, or the administrative authority established by cooperating counties, certifying the need for and inability to pay such expenses, may pay quarterly to the county or counties an amount of ~~not to exceed ten percent (10%) of the maximum quarterly grant payment for which the county would be qualified to receive under K.S.A. 75-52,105 or, in the case of cooperating counties, ten percent (10%) of the~~

~~0157 subsection (e) of K.S.A. 72-7040 and amendments thereto, shall~~  
~~0158 be divided into the one hundred five (105) county average;~~

~~0159 (3) each county's number of crimes per one thousand (1,000)~~  
~~0160 population shall be divided by the one hundred five (105) county~~  
~~0161 averages;~~

~~0162 (4) each county's percent of county population aged five~~  
~~0163 through twenty nine (29) years of age shall be divided by the one~~  
~~0164 hundred five (105) county average.~~

~~0165 (g) The factors calculated under subsection (f) for each~~  
~~0166 county shall be totaled and divided by four. The quotient thus~~  
~~0167 obtained is the computation factor for the county. Subject to~~  
~~0168 subsection (h) subsections (h) and (i), the amount of the annual~~  
~~0169 grant the county is eligible to receive under this act shall be~~  
~~0170 determined by multiplying the computation factor by the~~  
~~0171 amount of the per capita appropriation as fixed by appropria-~~  
~~0172 tion act and multiplying that product by the total county popu-~~  
~~0173 lation. The county population under this subsection shall be~~  
~~0174 according to the most recent enumeration by the state board of~~  
~~0175 agriculture. No county and no group of cooperating counties~~  
~~0176 which have established, on or before June 30, 1980, a corrections~~  
~~0177 advisory board under the provisions of the community correc-~~  
~~0178 tions act shall be adversely affected in the determination of the~~  
~~0179 amount of the annual grant the county or group of cooperating~~  
~~0180 counties is eligible to receive under said such act as a result of~~  
~~0181 the use of the population figures of the United States bureau of~~  
~~0182 census as published by the division of the budget under the~~  
~~0183 provisions of K.S.A. 11-201 and amendments thereto.~~

~~0184 (h) In all cases of counties becoming eligible for and receiv-~~  
~~0185 ing grants for the first time under this act, the annual amount of~~  
~~0186 the grant for each such county shall be as follows:~~

~~0187 (1) For the first calendar year, seventy percent (70%) of the~~  
~~0188 amount determined under subsection (g);~~

~~0189 (2) for the second calendar year, ninety percent (90%) of the~~  
~~0190 amount determined under subsection (g); and~~

~~0191 (3) for the third calendar year and for each calendar year~~  
~~0192 thereafter, one hundred percent (100%) of the amount deter-~~  
~~0193 mined under subsection (g).~~

total of the maximum quarterly grant payments which  
the counties would be qualified to receive under  
K.S.A. 75-52,105, to be determined by the secretary  
based upon the anticipated program needs of the  
county.

0194 ~~(i) If the amount of an annual grant that a county is eligible~~  
0195 ~~to receive pursuant to this section is less than the amount of the~~  
0196 ~~annual grant received by such county pursuant to this act,~~  
0197 ~~including any supplementary grant received pursuant to K.S.A.~~  
0198 ~~1987 Supp. 75-52,109, after deduction of amounts provided by~~  
0199 ~~K.S.A. 1987 Supp. 75-52,101, for the fiscal year ending June 30,~~  
0200 ~~1988, such county shall be eligible to receive an annual grant~~  
0201 ~~equal to the amount received by such county for the fiscal year~~  
0202 ~~ending June 30, 1988.~~

0203 ~~Sec. 2. K.S.A. 75-52,103 is hereby amended to read as fol-~~  
0204 ~~lows: 75-52,103. (a) Except as provided in K.S.A. 75-5293 and~~  
0205 ~~amendments thereto, each grant under this act shall be ex-~~  
0206 ~~pended by the county receiving it for correctional services as~~  
0207 ~~described in K.S.A. 75-5291 and amendments thereto in addition~~  
0208 ~~to the amount required to be expended by such county under~~  
0209 ~~this section. Each calendar year in which a county receives grant~~  
0210 ~~payments under K.S.A. 75-52,105 and amendments thereto, the~~  
0211 ~~county shall make expenditures for correctional services as de-~~  
0212 ~~scribed in K.S.A. 75-5291 and amendments thereto from any~~  
0213 ~~funds other than from grants under this act in an amount equal~~  
0214 ~~to or exceeding the amount of base year corrections expenditures~~  
0215 ~~as determined by the secretary of corrections under subsection~~  
0216 ~~(b).~~

0217 ~~(b) The secretary of corrections shall audit and determine~~  
0218 ~~the amount of the expenditures for correctional services as~~  
0219 ~~described in K.S.A. 75-5291 and amendments thereto of each~~  
0220 ~~county applying for a grant under this act during the calendar~~  
0221 ~~year immediately preceding the calendar year in which the~~  
0222 ~~county will receive its first grant payment under K.S.A. 75-~~  
0223 ~~52,105 and amendments thereto. The amount so determined~~  
0224 ~~shall be the amount of base year corrections expenditures of the~~  
0225 ~~county. In determining the amount of base year expenditures~~  
0226 ~~that portion of corrections' personnel salaries actually assumed~~  
0227 ~~by the state as described in K.S.A. 20-361 and 20-362, and~~  
0228 ~~amendments thereto, shall not be considered as a portion of the~~  
0229 ~~base year requirement.~~

0230 ~~(c) In any case where a county receiving a grant does not~~

~~0231 make expenditures for correctional services from funds other  
0232 than from grants under this act as required by this section; the  
0233 grant to such county for the next ensuing calendar year shall be  
0234 reduced by an amount equal to the amount by which such  
0235 county failed to make such required amount of expenditures.~~

~~0236 (d) The secretary of corrections may provide, by rules and  
0237 regulations, procedures for the following, as determined by the  
0238 secretary to further the purposes of this act:~~

~~0239 (1) The transfer, to one or more other counties, of any por-  
0240 tion of a county's annual grant which is not included in such  
0241 county's program budget for the current program year; and~~

~~0242 (2) the transfer, to one or more other counties, of any portion  
0243 of a county's annual grant which remains unused at the end of  
0244 such county's program year and is not included in such county's  
0245 program budget for the ensuing program year.~~

~~0246 (e) Except as otherwise provided pursuant to subsection (d),  
0247 if a participating county does not expend the full amount of the  
0248 grant received for any one year under the provisions of this act,  
0249 the county shall retain the unexpended amount of the grant for  
0250 expenditure for correctional services as described in K.S.A. 75-  
0251 5291 and amendments thereto during any ensuing calendar  
0252 year. The secretary of corrections shall reduce the grant for the  
0253 ensuing calendar year by an amount equal to the amount of the  
0254 previous year's grant which was not expended and was retained  
0255 by the county, unless the secretary finds that the amount so  
0256 retained is needed for and will be expended during the ensuing  
0257 calendar year for expenditures under the applicable compre-  
0258 hensive plan.~~

0259 Sec. 3. K.S.A. 75-52,107 is hereby amended to read as fol-  
0260 lows: 75-52,107. (a) The secretary of corrections and any county  
0261 not receiving grants under this act may contract for any correc-  
0262 tional services described in K.S.A. 75-5291 and amendments  
0263 thereto from any county or group of cooperating counties which  
0264 are receiving grants under this act, including services for in-  
0265 mates classified less than minimum security.

0266 (b) Any county may contract for any correctional services  
0267 described in K.S.A. 75-5291 and amendments thereto from any

0268 county or group of cooperating counties which are receiving  
0269 grants under this act, regardless of whether such county or  
0270 group of counties is in the same judicial district as the county  
0271 contracting for such services.

0272 Sec. 3 4. K.S.A. ~~75-52,105~~ 75-52,101, 75-52,103 and 75-  
0273 52,107 and K.S.A. 1987 Supp. 75-52,104 and 75-52,109 are  
0274 hereby repealed.

0275 Sec. 4 5. This act shall take effect and be in force from and  
0276 after its publication in the statute book *Kansas register*.

75-5293

TESTIMONY TO HOUSE FEDERAL AND  
STATE AFFAIRS COMMITTEE

RE: SB 457

APRIL 5, 1988

DONALD L. LIND  
PRESIDENT, KANSAS COMMUNITY CORRECTIONS ASSOCIATION

Attach-T

My remarks to the committee today will be quite brief and confined to the issue of entitlement funding in the Community Corrections Act. After brief consultation with other directors, there are two areas of concern.

The first area is on the point of the state-local partnership that is the basis of the Community Corrections Act. Under the present entitlement process, Counties know exactly what the entitlement formula provides as resources to meet local needs for correctional alternatives and services. The local advisory boards and county commissions can then develop a comprehensive plan designed to address local needs, which is then reviewed and approved for funding by the Department of Corrections.

Under a grant appropriation format, the balance of state-local partnership tips toward the state controlling the decision making process. For example, the Department of Corrections could develop priorities for funding that may not fit the needs and priorities of the local situation. Counties might be forced to re-evaluate the advantages of participation in the program. The result might be a weakening of Community Corrections at a time when correctional alternatives should be enhanced.

Secondly, as a practical note, grant programs at the level of funding proposed is simply inadequate for programs. The Interim Committee heard testimony last summer about programs experiencing significant fiscal pressure. Additional resources are needed to stabilize programs so that they can continue to operate and successfully supervise present caseloads. Additional resources are required to expand the programs to serve additional offender populations that can be diverted from prison to local alternatives.

Also, on a more technical note, the counties presently operate on county calender years. Switching to grants based on July-June fiscal year at this point in time could create a round of unnecessary confusion.

It is the recommendation of the Kansas Community Corrections Association that the legislature enact SB 457 as amended by the Senate and retain the entitlement as an appropriation. No funds may be expended in Community Corrections programs without approval of the Department of Corrections. This would appear to be adequate safeguard against poor utilization of the states resources. This would also allow additional time to evaluate the process and the impact of the changes in the programs that occur as the result of the new legislation.

IMPACT OF DIRECT GRANT APPROPRIATION

<u>Programs</u>	<u>Current Op. Bud.</u>	<u>Proj. Op. Bud.</u>	<u>Current # Served</u> **	<u>Proj. # Served</u>	<u>Proj. Additional Cost</u>
B/L/M	206,550	216,878	21	22 35	92,730
Douglas *	252,099	264,704	25	27 25	62,500
Johnson	991,684	1,041,268	313	332 40	307,500
Leavenworth	283,808	297,998	47	50 25	30,000
Montgomery	277,568	291,446	57	60 20	50,000
Riley *	301,700	316,785	86	91 15/40***	20,000/66,500
Saline	228,019	239,420	60	64 35	164,000
Sedgwick	1,278,981	1,342,930	437	463 40	707,500
Shawnee	587,802	617,192	154	163 25	135,000
Wyandotte	<u>683,384</u>	<u>717,553</u>	<u>423</u>	<u>448</u> <u>50</u>	<u>900,000</u>
	5,091,595	5,346,174	1,623	1,720 310	2,469,230

GRAND TOTAL = 7,815,404

- \* based on expenditure rather than operating budget
- \*\* total being served as of 12-31-87
- \*\*\* includes projected contract with additional county to supervise 40 offenders at a cost of \$66,500