

Approved: March 8, 1999
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Senator Lana Oleen at 11:15 a.m. on February 22, 1999 in Room 254-E of the Capitol.

All members were present except: Senator Becker, Excused

Committee staff present: Mary Galligan, Legislative Research Department
Theresa Kiernan, Revisors of Statutes
Judy Glasgow, Committee Secretary

Conferees appearing before the committee: John Campbell, Attorney General's Office

Others attending: See Attached Sheet

Chairman Oleen called for introduction of bills and recognized Senator Emert. Senator Emert requested the introduction of a bill that would restructure the Board of Regents. Senator Vratil moved for introduction of the bill. Senator Biggs seconded the motion. The motion carried.

Chairman Oleen recognized Senator Vratil. Senator Vratil requested the introduction of a bill that would allow video lottery games at various facilities, the number of machines would be limited by the size of the facility and state would receive 40% of the revenue. Senator Vidrickson moved for introduction of the bill. Senator Harrington seconded the motion. The motion carried.

Chairman Oleen introduced John Campbell, Attorney General's Office to present a briefing on the tobacco settlement. (Attachment #1) The master settlement execution was November 1998. Mr. Campbell stated that manufacturers are continuing to join the settlement, these are small manufacturing companies. It appears that there may be as many as 19 companies that have joined the settlement which compromises 90% of the domestic market. Forty eight jurisdictions have signed on to the settlement and have achieved trial court approval, however there are some states with specific finality. Appeals have been filed in California and in New York. This may hold up the release of the money. There is 2.4 billion dollars in escrow in City Bank of New York. This money cannot be distributed to the states prior to June 30, 2000, unless 80% of the states with 80% of the money coming due have reached state specific finality. Mr. Campbell stated the master settlement is not an end, but rather a process. Indian tribes are not bound by this agreement

In answer to questions by the committee Mr. Campbell stated that the first payment to Kansas will be \$20 million with interest; the second payment will be \$53 million; and after that the payments work up to \$65 million.

Senator Biggs inquired about the settlement with U. S. Tobacco. Mr. Campbell stated that it was similar to the settlement with the master settlement, however he had not reviewed it and would get that information back to the committee. The state of Kansas is also in a separate smokeless tobacco settlement.

Senator Emert requested the introduction of a Senate Concurrent Resolution which would strike from the constitution the number 9 referred to as the number of Board of Regents. Senator Vidricksen moved for the introduction of the Senate Concurrent Resolution. Senator Biggs seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS, Room 254-E
Statehouse, at 11:15 a.m. on February 22, 1999

Chairman Oleen asked Mr. Conant, Director Alcohol and Tobacco Commission (ABC) to address the committee regarding the current law regarding youth and tobacco and what their current role is. Mr. Conant stated that it is illegal for a licensee or anyone else to furnish cigarette and tobacco products to any one under the age of 18. ABC 's enforcement efforts are focused almost entirely at licensed businesses. The efforts in the field are directed at the retail licensee with random checks. There has been a consistent improvement in that compliance rating. To date there is a 70 percent compliance rate.

Chairman Oleen asked for committee action on approving committee minutes for regular Committee Meetings for February 10, February 15, February 16 and meeting on February 10 at the Rail. Senator Jones moved the minutes for February 10, 15, 16 and Rail meeting February 10, be approved. Senator Vratil seconded the motion. The Motion carried.

The meeting adjourned at 12:00 noon. The next meeting of this committee is scheduled for February 23, 1999.

SENATE FEDERAL & STATE AFFAIRS COMMITTEE
GUEST LIST

DATE: Feb 22, 1999

NAME	REPRESENTING
Denny Koch	UST Public Affairs Inc.
Pat Habibell	Brown & Wilbourn Tobacco
John Peppardine	American Cancer Society
John Hill	Helm and Weir
John P. Smith	Tobacco Free Kansas Coalition
John C. Solent	Philip Morris
Wendy Hellquist	Kansas Smokeless Kids Initiative
Holly Finney	Ko. Public Health Association
Jeri Roberts	Kansas State Nurses Assn.
Jim Conant	ABC
Vicki Gunckel	Budget Division
Amy A. Campbell	KRLDA
Rebecca P.	KCA & KRLDA
Whitney Damon	Smokeless Tobacco Council Free
Amy Damon	Philip Morris

(g) Ban on Youth Access to Free Samples.

. . . [after November 1998] no Participating Manufacturer may,

within any Settling State, distribute or cause to be distributed any free samples of Tobacco Products

except in an Adult-Only Facility.

. . . a "free sample" does not include a Tobacco Product that is provided to an Adult in connection with

(1) the purchase, exchange or redemption for proof of purchase of any Tobacco Products (including, but not limited to, a free offer in connection with the purchase of Tobacco Products, such as a "two-for-one" offer), or

(2) the conducting of consumer testing or evaluation of Tobacco Products with persons who certify that they are Adults. (*Master Settlement Agreement, Sec. II Permanent Relief, § g, p. 26*).

k) Minimum Pack Size of Twenty Cigarettes.

No Participating Manufacturer may, [from February 1, 1999 through] . . . December 31, 2001, manufacture or cause to be manufactured for sale in any Settling State any pack or other container of Cigarettes containing fewer than 20 Cigarettes . . .

No Participating Manufacturer may, from May 1, 1999 through] . . . December 31, 2001, sell or distribute in any Settling State any pack or other container of Cigarettes containing fewer than 20 Cigarettes

Each Participating Manufacturer further agrees that . . . [from December 1, 1998] it shall not oppose, or cause to be opposed (including through any third party or Affiliate), the passage by any Settling State of any legislative proposal or administrative rule applicable to all Tobacco Product Manufacturers and all retailers of Tobacco Products prohibiting the manufacture and sale of any pack or other container of Cigarettes containing fewer than 20 Cigarettes (or, in the case of roll-your-own tobacco, any package of roll-your-own tobacco containing less than 0.60 ounces of tobacco). (*Master Settlement Agreement, Sec. II Permanent Relief, § k, pp. 28-9*).

(m) **Limitations on Lobbying.** Following State-Specific Finality in a Settling State

No Participating Manufacturer may oppose, or cause to be opposed . . . the passage . . . of those state or local legislative proposals or administrative rules described in Exhibit F . . . to reduce Youth access to, and the incidence of Youth consumption of, Tobacco Products.

Provided, however, that the foregoing does not prohibit . . . (A) [court challenges] . . . of, . . . such legislation . . . ; (B) continuing, after State-Specific Finality . . . , to oppose . . . passage during the legislative session in which State-Specific Finality . . . occurs of . . . proposals . . . introduced prior to . . . State-Specific Finality . . . ; (C) opposing, . . . , any excise tax or income tax provision or user fee or other payments relating to Tobacco Products or Tobacco Product Manufacturers; or (D) opposing, . . . measures other than those described in Exhibit F.

Each Participating Manufacturer shall require all of its officers and employees engaged in lobbying activities . . . , contract lobbyists . . . , and any other third parties who engage in lobbying . . . on behalf of such Participating Manufacturer . . . to certify in writing to the Participating Manufacturer that they:

(A) will not support or oppose any state, local or federal legislation, or seek or oppose any governmental action, on behalf of the Participating Manufacturer without the Participating Manufacturer's express authorization (except where such advance express authorization is not reasonably practicable);

(B) are aware of and will fully comply with this Agreement and all laws and regulations applicable to their lobbying activities, . . .

(C) have reviewed and will fully abide by the Participating Manufacturer's corporate principles promulgated pursuant to this Agreement when acting on behalf of the Participating Manufacturer.

No Participating Manufacturer may support . . . in Congress or any other forum legislation or rules that would preempt, override, abrogate or diminish such Settling State's rights or recoveries under this Agreement . . . (*Master Settlement Agreement, II Permanent Relief, § m, pp. 29-32*).

(n) Restriction on Advocacy Concerning Settlement Proceeds.

After the MSA Execution Date, no Participating Manufacturer may support or cause to be supported (including through any third party or Affiliate) the diversion of any proceeds of this settlement to any program or use that is neither tobacco-related nor health-related in connection with the approval of this Agreement or in any subsequent legislative appropriation of settlement proceeds. (*Master Settlement Agreement, II Permanent Relief, § n, p. 32*).

EXHIBIT F
Potential legislation not to be opposed

Limitations on Youth access to vending machines.

Inclusion of cigars within the definition of tobacco products.

Enhancement of enforcement efforts to identify and prosecute violations of laws prohibiting retail sales to Youth.

Encouraging or supporting use of technology to increase effectiveness of age-of-purchase laws, such as, without limitation, the use of programmable scanners, scanners to read drivers' licenses, or use of other age/ID data banks.

Limitations on promotional programs for non-tobacco goods using tobacco products as prizes or give-aways.

Enforcement of access restrictions through penalties on Youth for possession or use.

Limitations on tobacco product advertising in or on school facilities, or wearing of tobacco logo merchandise in or on school property.

Limitations on non-tobacco products which are designed to look like tobacco products, such as bubble gum cigars, candy cigarettes, etc. (*Master Settlement Agreement, Exhibit F, p. F-1*).

XVIII. MISCELLANEOUS

(a) Effect of Current or Future Law. If any current or future law includes obligations or prohibitions applying to Tobacco Product Manufacturers related to any of the provisions of this Agreement, each Participating Manufacturer shall comply with this Agreement unless compliance with this Agreement would violate such law. (*Master Settlement Agreement, Sec. XVIII Miscellaneous, § a, p. 126*).

XVI. CONSTRUCTION

(b) Nothing in this Agreement shall be construed as approval by the Settling States of any Participating Manufacturer's business organizations, operations, acts or practices, and no Participating Manufacturer may make any representation to the contrary. (*Master Settlement Agreement, Sec. XVI Construction, § b, p.124*).