

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE.

The meeting was called to order by Chairperson Senator Nancey Harrington at 10:30 a.m. on February 19, 2002 in Room 245-N of the Capitol.

All members were present except: Senator Bob Lyon, excused
Senator Rip Gooch, excused
Senator John Vratil, excused

Committee staff present: Russell Mills, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Theresa Kiernan, Office of the Revisor
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:

Sherry Diel, Kansas Real Estate Commission
Joe Lawhon, Legislative Post Audit
Bob Longino, Director, ABC

Amy Campbell, Kansas Association of Beverage Retailers

Phillip Bradley, Executive Director, Kansas Licensed Beverage Association
Tuck Duncan, KS Wine and Spirits Wholesalers Assn.
Julie Hein, Kansas Restaurant and Hospitality Assn.

Others attending: Please see attached

Senator Harrington opened the meeting by asking for any bill introductions for the committee.

Senator Les Donovan asked the committee to introduce a bill which would allow Choose Life license plates. Senator O'Connor made a motion to introduce. Senator Gilstrap seconded the motion. The motion passed.

Chairperson Harrington announced that the committee would work both **SB 439**—Real estate brokers and salespersons; licensure; disciplinary action; dual agency and **SB 440**—Real estate brokers and salespersons; multiple affiliation, restrictions.

Sherry Diel, Kansas Real Estate Commission presented testimony in favor of and to amend **SB 439**. (**Attachment 1**) She then presented testimony in favor of and to amend **SB 440**. (**Attachment 2**)

Senator O'Connor made a motion to amend both bills and recommend them favorable for passage. Senator Brungardt seconded that motion. The motion passed.

Joe Lawhon, Legislative Post Audit, presented the Post Audit report on the liquor tax. (**Attachment 3**)

Senator O'Connor asked if there had been any follow-up and if the numbers in the report were comparable to what they are today, since the report was six years old, and Mr. Lawhon stated that he could get that information to the committee tomorrow.

Chairperson Harrington opened the hearing on:

SB 463—Common carriers authorization to transport liquor

Bob Longino, Director, Alcoholic Beverage Control, presented testimony in favor of the bill. (**Attachment 4**)

Senator Brungardt stated that he appreciated the clean-up of the bill, but he questioned its existence. Mr. Longino stated that what is left of the statute requires a common carrier to be registered with the KCC and other appropriate state agencies. He stated that it also requires them to deliver to a licensed warehouse, so they can't just deliver anywhere.

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at on February 19, 2002 in Room 245-N of the Capitol.

Senator O'Connor asked Mr. Longino how many five dollar fees had been collected, and Mr. Longino replied that there had not been very many. He stated that there were approximately 250 to 300 in terms of permits, and some go back to 1949. He stated that a lot of them were more current, and there are probably a significant number of transportation firms who are delivering that they are just not aware of or who are not aware of the requirement.

Senator Teichman asked a question in reference to Mr. Longino's language "licensed warehouse," and Mr. Longino stated that in line 21, a consignee shall be a manufacturer or distributor maintaining a warehouse that sells liquor in the state of Kansas. He stated that the fact that it would be a distributor would mean that they would be licensed. She asked what would happen if someone bootlegged in alcohol, and Mr. Longino stated that they would be committing a crime.

Chairperson Harrington opened the hearing on:

SB 465—Qualifications for licensure under liquor control act; tax payments

-Bob Longino, Director, Alcoholic Beverage Control, presented testimony in favor of the bill.
(Attachment 5)

Amy Campbell, Kansas Association of Beverage Retailers, presented neutral testimony on the bill.
(Attachment 6)

Ms. Campbell stated she did not have any numbers in front of her which showed that retail liquor stores are in any way less responsible in paying their sales and withholding taxes than any other type of government licensee. She stated that if that information is available, then she would like to have it to present to her members to encourage them to be in compliance.

In response to a comment from Ms. Campbell, Chairperson Harrington stated that she did not think that the industry is being singled out. The Chair stated that everything is on the table this year with the budget shortfalls. Ms. Campbell stated that it is important if efforts are made to increase enforcement and collection, then everyone should see the numbers.

Phillip Bradley, Executive Director, Kansas Licensed Beverage Association, presented neutral oral testimony on the bill. Mr. Bradley stated that his association believes that everyone should pay their taxes on time. He stated that he found two things curious. He stated that anyone who collects taxes and does not remit them to the state is wrong and criminal. He stated that this applied to all individuals, and that sales taxes and withholding taxes go to more people than those who own liquor licenses. He stated that the committee just dealt with a bill dealing with the renewal of real estate licenses, and he would assume or ask the committee to ask them if they are current on their business taxes.

Chairperson Harrington stated that such an issue would not be assigned to this committee, but to tax.

Mr. Bradley stated that it pointed out that uniform enforcement was what they were going after. He stated that going after taxes is not dealing with the health and safety of our citizens anymore like licensure.

Chairperson Harrington stated that she would like to point out to the committee that she moved the hearings up to this week from last week to accommodate him, and she really regretted that he did not have written testimony.

Mr. Bradley stated that he would like to apologize to the committee for not providing written testimony.

Chairperson Harrington instructed the committee to note written testimony from Tuck Duncan, KS Wine and Spirits Wholesalers Association, neutral to the bill. **(Attachment 7)**

Julie Hein, Kansas Restaurant and Hospitality Assn., provided testimony in opposition to the bill.
(Attachment 8)

Chairperson Harrington stated that it is nice that the amendments were agreed to by those who were initially in opposition to the bill. She stated that the committee appreciated them all working it out before

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at on February 19, 2002 in Room 245-N of the Capitol.

bringing it before them.

Senator Barnett asked, on average, how delinquent other businesses are in their taxes, and Dedra Platt, Department of Revenue, stated that liquor was primarily a cash business, so they did not have those statistics. After clarification that he was interested in similar business, she stated that she would be able to provide the committee with an update. Chairperson Harrington stated that last year Legislative Research provided her a breakdown of taxes into corporate, business, and personal. She stated that from that, in general, the state is behind in collecting taxes about 500 million dollars a year, and the report went back about eight years. She stated that about two and a half million of that goes toward bankruptcy. In response to another question from Senator Barnett, Mr. Longino stated that cereal malt beverage establishments are not included in the bill because they are licensed locally. He stated that he did not disagree that they too should pay taxes, but it was a question of how.

Russell Mills, Legislative Research, asked Mr. Longino if he endorsed Tuck Duncan's request for a substitute bill or not. Mr. Duncan stated that he would prefer a substitute bill. Mr. Longino stated that he would leave it up to Ms. Kiernan, and she stated that might be easier.

Chairperson Harrington asked the committee if it was interested in a substitute bill. Ms. Kiernan stated that a substitute bill was just like a giant amendment, but just a different way of getting to the same end. Chair Harrington asked the committee if it was interested in doing the bill today.

Senator O'Connor made a motion to create a substitute bill with Mr. Longino's language. Senator Teichman seconded. The motion passed.

Senator O'Connor stated that the committee might want to create a conceptual bill that states that all state licensees need to be up to date on their taxes. Ms. Kiernan stated that such a bill might also catch lawyers, doctors, and some others, so she would just need the details of how far the Senator would want the bill to go. Senator O'Connor stated that she could make a future motion.

Senator Brungardt made a motion to pass **sub SB 465** out favorable as amended. Senator O'Connor seconded the motion. The motion passed.

Senator Brungardt made a motion to amend **SB 463** and recommend it favorable as amended. Senator O'Connor seconded the motion. The motion passed.

Senator O'Connor made a motion to introduce a conceptual bill to require anyone licensed by the state to be current on their taxes. Senator Brungardt seconded the motion. The bill was introduced.

Senator Barnett asked the committee for the introduction of two bills. He stated that the first bill would broaden the base for K-12 education funding, and the second bill dealt with child pornography.

Senator Barnett made a motion to introduce the two bills. Senator O'Connor seconded the motion. The bills were introduced.

The meeting adjourned at 11:40 a.m. The next meeting will be held on February 20, 2002 at 10:30 a.m. in Room 245-N.