

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on February 16, 2011, in Room 144-S of the Capitol.

All members were present except:

Senator Steve Morris - excused

Committee staff present:

Jason Long, Office of the Revisor of Statutes
Doug Taylor, Office of the Revisor of Statutes
Dennis Hodgins, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Connie Burns, Committee Assistant

Conferees appearing before the Committee:

Rodney Robson, Kansas Association of Beverage Retailers
Michael Towne, Library Discount Liquor
Dennison Woods, Ken-Mar Liquor
Joe Spinello, Top Cellars Select Wine and Spirits
Jeff Breault, R & J Discount Liquor
Brandon Plaschka, Plaschka and Kramer Liquor
Amy Campbell, Kansas Association of Beverage Retailers
Tuck Duncan, Kansas Wine & Spirits Wholesalers
Spencer Duncan, Keep Kansas in Business
John Calbeck, M.D., Garden City, Kansas
Jeff Herrig, Jefferson County
Rebecca Rice, Kansas Beer Wholesalers Associations
Francis Wood, Topeka, Kansas
Gary Winget, Kansas Beer Wholesalers Association
Dan Hecke, Liquor Barn & Papa Top Liquor
Bob Eckardt, Kansas Family Policy Council

Others attending:

See attached list.

SB 54 - Creating classes of license to sell alcoholic beverages at retail; fees, term and eligibility

Chairman Brungardt continued the hearings on **SB 54**

Rodney Robson, President, Kansas Association of Beverage Retailers, spoke in opposition on the bill. (Attachment 1) Mr. Robson stated that this bill is about deregulation to benefit one category of retailer: the grocery store. Hy-Vee and other national grocery chains want to be able to have the same business structure in every state and threaten that they will not make any more investment in Kansas if the laws do not change. Kansas laws are not so unusual; our neighbors in Oklahoma and Colorado have grocery store chains who do not sell liquor, wine, or strong beer.

Michael Towne, Library Discount Liquor, Manhattan, appeared in opposition on the bill. (Attachment 2) Mr. Towne stated the very corporations that were largely responsible for closing hundreds of independent grocery, convenience, hardware, and variety stores, as well as other small businesses across Kansas now have their sights set on closing over 350 Kansan owned liquor stores.

Dennison Woods, Ken-Mar Liquor, Wichita, appeared in opposition on the bill. (Attachment 3) Mr. Woods stated that it is a privilege, not a right, to be given a Liquor License; the responsibilities of selling this highly regulated product were made clear when I invested in this business. Now Kansas is reconsidering its agreement with me and would like to grant this privilege to non-Kansas corporations with less qualifications to sell alcoholic liquor to the public.

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Joe Spinello, Top Cellars Select Wine and Spirits, Overland Park, spoke in opposition to the bill. (Attachment 4) The bill slashes licensing laws; allowing non-Kansas citizens to get a liquor license, and he asked the committee to support locally owned businesses and to turn down this request.

Jeff Breault, R & J Discount Liquor, Wichita, testified in opposition to the bill. (Attachment 5) The grocery coalition is once again taking a red pen to the Kansas Liquor laws to suit their own ends; the last thing the Legislature needs to do is completely throw out thousands of jobs with the faint hope that jobs will reappear under a different sign. This is even more dangerous with a product that requires so much supervision in its delivery with no idea of how much the added cost would be to oversee hundreds of new outlets.

Brandon Plaschka, Plaschka & Kramer Retail Liquor, Princeton, Kansas, appeared in opposition to the bill. (Attachment 6) Mr. Plaschka stated that many liquor stores represent family businesses; this is the career path that he has chosen. Now someone is asking for a part of what he has invested so much in – but the proponents of this bill don't want to earn the license, obey the laws, or be subject to the same penalties that he has spent a lifetime earning.

1. Amy Campbell, Executive Director, Kansas Association of Beverage Retailers, spoke in opposition to the bill. (Attachment 7) There is a perception that legislation to deregulate the sale of alcohol, whether by selling stronger beer in cereal malt beverage outlets, or by allowing liquor, wine and beer in grocery stores, will modernize our state and promote positive change by eliminating an outdated product. The bill will:
 - allow corporations to own liquor stores
 - allow chain liquor stores
 - exempt corporate owners from the majority of license requirements, including U.S. residency, felony convictions, having to be 21 years of age, etc
 - remove the Kansas residency requirement to get a license
 - allow the business to sell other products
 - require only persons 21 years of age to sell spirits and 18 years of age to sell wine and strong beer – but doesn't state how that would be regulated
 - repeals KSA 41-103 – which requires the separate sale of 3.2 cereal malt beverages, creating a duplicate licensing system for retailers who choose to sell strong beer and cereal malt beverage products. Needs some specific direction for the prioritization of regulatory authority.
 - Repeal part of KSA 41-308 – which prohibits a retail liquor store from giving away things of value, as well as the prohibition against entrainment, pinball machines, or games of skill or chance.

KABR can not emphasize enough the negative impact this legislation will have upon the retail liquor stores' business throughout the state.

Tuck Duncan, General Counsel, Kansas Wine & Spirits Wholesalers, appeared in opposition of the bill. (Attachment 8)) Mr. Duncan stated the final analysis of any new system must be one that can be regulated and one which the state will have the resources to regulate. That regulation is about protecting the public and having effective mechanisms in place to deter underage sales, to reduce impaired driving, to reduce the need for prevention and intervention; and in doing so the system should not consume precious resources needed elsewhere or place disproportionate demands on state and local government.

The total package retail beverage alcohol sales in Kansas, based on enforcement taxes, are \$685 million annually which is less than one-half of one percent of the sales of the proponents of the bill.

Spencer Duncan, Keep Kansas in Business, spoke in opposition on the bill. (Attachment 9) The bill does not benefit the Kansas economy, will do economic harm to our communities and burden the General Fund. Mr. Duncan presented “A Review of: An Economic Case for increased Competition in the Sale of Beer, Wine and Spirits in the state of Kansas by the Coalition for Jobs and Consumer Choice,” by Dr. David Burress, Ph.D., an economist who has studied the Kansas economy for decades. Dr. Burress concludes claims in the study were formed using insufficient data, fails to include all economic factors and does not consider the overall economic impact the bill will have on rural Kansas communities. The passage of the bill does not guarantee construction of new stores which, in turn, means no guarantee of thousands of new jobs for Kansas.

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The bill creates a large, costly, inefficient system, and the legislature should look out for its citizens including local, small business owners. Allowing out-of-state companies to unnecessarily put Kansans out of business does not benefit Kansans or the economy.

John B. Calbeck, M.D., Garden City, Kansas, testified in opposition of the bill. ([Attachment 10](#)) Dr. Calbeck stated that research reveals the move toward alcohol sales' deregulation, and opens up the issue of enforcement and the potential for increased access to alcohol products by underage youth, and there is a large body of solid research and social observation to assist Kansas in making the best decision on the bill. Based on state, national, and international experiences with alcohol sales privatization and deregulation, the expansion of alcohol sales should be accompanied by controls designed to protect public health and safety.

Kansas should thoroughly study the long term implications, social as well as economic, before proceeding any further on this legislation.

Robert Cartier, Undersheriff, Jefferson County Sheriff's Office, presented written testimony in opposition for Sheriff Jeff Herrig. ([Attachment 11](#)) The bill anticipates sharing a portion of increased liquor enforcement taxes with cities and counties; that formula is based on population. A population based formula is unlikely to fully compensate Jefferson County for the change in buying practices and the associated enforcement costs.

Rebecca Rice, Kansas Beer Wholesalers Association, spoke in opposition to the bill. ([Attachment 12](#)) The bill will weaken the state's alcoholic liquor delivery and sales system. A massive national campaign is being waged against states that have resisted previous efforts to shift sales from controlled and restricted retail liquor stores. Many states, not just Kansas are fiercely defending their delivery system; that has been successful in helping state governments protect the public's health, safety, and welfare.

Frances Wood, Topeka, Kansas, appeared in opposition to the bill. ([Attachment 13](#)) Ms. Wood stated that the proponents of the bill say that consumption will not increase, yet create 15,000 more jobs; this is fuzzy math. Along with traffic fatalities are the issues of domestic violence and health concerns that come with increased consumption.

Garry Winget, Kansas for Addiction Prevention, testified in opposition to the bill. ([Attachment 14](#)) The bill is not just an erosion of control; it is a radical shift in policy. Alcohol is the number one drug problem in America, and the passage of this bill will expand access which always increases consumption.

Dan Hecke, Liquor Barn and Papa Top Liquor, spoke in opposition to the bill. ([Attachment 15](#)) If the bill is passed, Mr. Hecke will be forced to close both of his stores because there are several corporate stores in both locations that will sell liquor for one to five cents over cost.

Bob Eckhardt, provided the written testimony in opposition for Donna Lippoldt, Kansas Family Policy Council. ([Attachment 16](#)) A new organization made up of Walmart, Dillons/Kroger, QuikTrip, KwikShop, Hy-Vee, Hen House/Price Chopper, and Casey's General Store under the name "Coalition for Jobs and Consumer Choice" is once again presenting the argument that they should be able to sell hard liquor. This will only increase access of hard liquors and alcoholism among minors, which can only result in increased juvenile crime.

Written Testimony in Opposition

Tom Barlett, Wolf Liquor, Edgerton, Kansas ([Attachment 17](#))

Harold Lukas, Lukas Liquor Superstore ([Attachment 18](#))

Pam Fair, Kansas Families Against Liberal Liquor Laws ([Attachment 19](#))

Michele Simon, Research and Policy director, Marin Institute, San Rafael, California ([Attachment 20](#))

Pamela S. Erickson, CEO of Public Action Management, PLC ([Attachment 21](#))

Christian Walter, Myers Retail Liquor, Lawrence, Kansas ([Attachment 22](#))

George Waters, Glass House Liquor, Lawrence, Kansas ([Attachment 23](#))

Sheriff Robert Dierks, Montgomery County ([Attachment 24](#))

Rev. Elwyn J. Lubber, Pastor, First Lutheran Church, Topeka, Kansas ([Attachment 25](#))

Lois-Ann Beal ([Attachment 26](#))

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Edward Davies, Retired Sheriff Marion County (Attachment 27)

City of Coffeyville (Attachment 28)

Chairman Brungardt continued the hearing to February 17, 2011 on **SB 54**

The next meeting is scheduled for February 17, 2011. The meeting was adjourned at noon.