

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman John Edmonds at 1:30 P.M. on March 21, 2006 in Room 313-S of the Capitol.

All members were present except:

Representative Melody McCray-Miller- excused

Committee staff present:

Athena Andaya, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Mary Torrence, Revisor of Statutes Office
Carol Doel, Committee Secretary

Conferees:

Robert "Tuck" Duncan - Kansas Wine & Spirits Wholesalers Association
Philip Bradley, Kansas Licensed Beverage Association
Pete Bodyk - Kansas Department of Transportation
Amy Campbell - Kansas Association of Beverage Retailers
Brian Flanery - Kansas Association of Beverage Retailers
Spencer Duncan - Kansas Retailer
Dennis Reynolds - Kansas Grape Growers & Winemakers Association
Tom Groneman - Director of Alcohol & Beverage Control
Neal Whitaker - Kansas Beer Wholesalers Association
Larrie Ann Lower - Wine Institute
Joan Wagnon, Secretary of Revenue

Others attending:

See attached list

Chairman Edmonds opened the meeting for bill introductions. There were none and the Chairman opened the floor for public hearing on **SB 555** - allowing club and drinking establishment patrons to carry partially consumed containers of alcoholic liquor.

Philip Bradley spoke for the Kansas Licensed Beverage Association in support of **SB 555**. They support the "doggie bag" bill which would allow patrons a way to take home unfinished beverages in a safe and controlled manner. They feel this would discourage consumers from finishing the entire bottle they had purchased just because it was illegal to remove it from the premises. They did request the bill be amended by deleting Section 2 (Page 1 line 36), Section 3 (Page 4 line 22) and rename Section 4 to Section 2 thereby eliminating any objections or questions. (Attachment 1) Mr. Bradley also included a copy of an article by *Elizabeth Beardsley of The Courier-Journal* relating to wine lovers who are faced with a half-empty bottle after a restaurant meal. (Attachment 2)

Robert "Tuck" Duncan, representing the Kansas Wine & Spirits Wholesalers Association, addressed the committee supporting **SB 555** known as the "doggie bag bill." This bill would allow customers to take home a partially consumed bottle of alcoholic beverage by having it re-corked and placed in a tamper proof plastic bag. (Attachment 3) Mr. Duncan made an amendment to address the concerns of Pete Bodyk, Chief of the Bureau of Traffic Safety for the Kansas Department of transportation that the partially consumed wine would be deemed an open container and possibly affect Kansas' compliance with federal requirements and, therefore, jeopardize federal funding received by Kansas. The amendment would be inserted on Page 2, Line 4:

"Or behind the last upright seat or in an area not normally occupied by the driver or a passenger in a motor vehicle that is not equipped with a trunk"

Pete Bodyk, Chief of the Bureau of Traffic Safety, stated that the Department of Transportation (KDOT) opposes **SB 555** as written because of expected consequences to highway construction funding. They related that Section 2 (b)(4) would cause Kansas to be out of compliance with federal requirements. (Attachment 4)

No other person wished to address **SB 555** and Chairman Edmonds closed the public hearing.

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 21, 2006 in Room 313-S of the Capitol.

The Chairman opened the public hearing on **SB 370** - shipping of wines into and out of state.

First to address **SB 370** was Robert "Tuck" Duncan representing the Kansas Wine & Spirits Wholesalers Association gave a power point presentation explaining the "Three Tier System" which is a complex set of overlapping state and federal regulations. (Attachment 5). Mr. Duncan also provided an informational news article published by the Kansas Wine & Spirits Wholesalers Association. (Attachment 6)

Spencer Duncan is a member of the Board of Directors of the Kansas Association of Beverage Retailers (KABR) and owns a store in Lawrence Kansas. Mr. Duncan testified in support of **SB 370**. Mr. Duncan related that the decisions made on this issue will affect tax collection rates, daily operations of more than 700 retail liquor store owners as well as wholesalers, police forces, Alcoholic Beverage Control Officers, and delivery services. (Attachment 7)

Brian Flanery is a licensed owner of a retail liquor store and also serves as Treasurer of the Kansas Association of Beverage Retailers (KABR). In their testimony the KABR related the reasons for supporting **SB 370**. They also related some concerns which they have with the bill and provided amendments which they would like considered. (Attachment 8)

Amy Campbell, Executive Director of The Kansas Association of Beverage Retailers addressed the committee to show support for **SB 370**. They feel that this bill could be an excellent method to provide access to more products to their customers. Ms. Campbell related that the KABR does have some concerns about **SB 370** and would support amendments to address them. (Attachment 9)

Dennis Reynolds of the Kansas Grape and Winemakers Association offered testimony as a proponent of **SB 370**. He stated that they believe grape growing offers Kansas farmers an exciting and lucrative crop alternative and that the current farm winery statute affords the opportunity for Kansans to grow, produce market and sell a value-added Kansas agricultural product, while increasing agri-tourism within the state. This bill would allow Kansas Farm Wineries to ship their wines directly to consumers in other states that allow direct shipping. (Attachment 10)

Philip Bradley of the Kansas Licensed Beverage Association provided written testimony supporting **SB 370**. (Attachment 11)

Tom Groneman, Director of Alcohol & Beverage Control, testified as neutral to **SB 370**, however, they would make the suggestion that the implemental time be changed from July 1 to January 1. (No Written Testimony)

Neal Whitaker represented the Kansas Beer Wholesalers Association as an opponent to **SB 370**. They feel that the bill will prove a greater opportunity for Kansas to lose substantial, if not complete control over the alcoholic beverages. (Attachment 12)

Larrie Ann Lower from the Wine Institute provided comments as an opponent to **SB 370**. Ms. Lower stated that the Wine Institute is a trade association comprised of some nine hundred wineries. They strongly support the concept of granting Kansas consumers the ability and privilege to purchase and have wine shipped to them, however they do have some concerns with the bill which she related in her testimony. (Attachment 13) Ms. Lower also included a copy of a language change which they have suggested. (Attachment 14)

With no other person wishing to speak to **SB 370**, Chairman Edmonds closed the public hearing.

The Chairman opened the floor for public hearing on **HB 2955** - Kansas flavored malt beverage.

Robert "Tuck" Duncan addressed the committee supporting **HB 2955** and relating that the Flavored Malt Beverage Act as set forth in this bill would preserve the current practice of classifying these products as malt beverages and recognize the federal labeling rules. (Attachment 15)

There were no other proponents or opponents to **HB 2955** and the Chairman closed the public hearing.

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 21, 2006 in Room 313-S of the Capitol.

Chairman Edmonds opened the public hearing on **HB 2639** - liquor licenses required to be current in payment of taxes.-

Secretary of Revenue, Joan Wagnon, addressed the committee supporting **HB 2639**. It is their feeling that the bill addresses concerns previously raised by representatives of the liquor industry regarding whether a disputed or erroneous tax liability could trigger license revocation, or whether delinquent tax liability of a minority shareholder or officer of a liquor licensee could trigger license revocation. Secretary Wagnon also related that if **HB 2639** is enacted, the Department of Revenue projects a recovery of an additional \$570,000 in delinquent sales and withholding taxes from liquor licensees in FY 07. (Attachment 16)

Philip Bradley, Executive Director of the Kansas Licensed Beverage Association, testified before the committee as an opponent to **HB 2639**. Mr. Bradley related their concerns with the bill and recommended a change of language which he included with his testimony. (Attachment 17)

Amy Campbell, Executive Director of the Kansas Association of Beverage Retailers, stated that although parts of the **HB 2639** have been improved, they are still unable to support its passage. The KABR requests that all licensees be held to the same standard for the collection of taxes. The KABR would support the addition of language permitting the Department of Revenue to enforce similar requirements for other licenses. (Attachment 18)

There were no other proponents or opponents to wishing to address the bill and the Chairman closed the public hearing on **HB 2639**.

Public hearing was opened on **SB 403** - alcohol beverage licenses, procedures relating to violations; prohibitions against employing certain people.

Tom Groneman, Director of Alcohol & Beverage Control appeared before the committee to oppose **SB 403**. Mr. Groneman stated that the purpose of the bill is to clarify the administrative process as it relates to violations of the Liquor Control Act and the Club and Drinking Establishment Act and to prohibit those who have had a liquor license revoked from managing retail liquor stores and drinking establishments. They request favorable passage of **SB 403**. (Attachment 19)

Amy Campbell, Executive Director of The Kansas Association of Beverage Retailers presented testimony in opposition to **SB 403**. Ms. Campbell stated that the KABR opposes any changes that remove the requirement that an individual be notified of the citation within thirty days. They do support amending the statute to be certain that the agency is able to legally follow through with prosecutions, but does not support removing the requirement that the citations be timely. (Attachment 20)

Philip Bradley, Executive Director of Kansas Licensed Beverage Association related that they stand neutral to **SB 403** with a few language changes which were in his testimony. (Attachment 21)

Written testimony in opposition to **SB 403** was submitted by Ron Hein on behalf of the Kansas Restaurant and Hospitality Association. (Attachment 22)

There was no one else who wished to testify on **SB 403** and the Chairman closed the public hearing.

With no further business before the committee, Chairman Edmonds adjourned the meeting.