

Approved: 2-21-06

Date

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 January 31, 2006 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Athena Andaya, Kansas Legislative Research Department  
Dennis Hodgins, Kansas Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes Office  
Connie Burns, Committee Secretary

Conferees appearing before the committee:

Senator Betts  
Whitney Damron  
Bob Alderson, Casey's General Store  
Tuck Duncan, KS Wine & Spirits Wholesalers Association  
Amy Campbell, KS Association of Beverage Retailers  
Larry Knackstedt  
Garry Winget, Kansans for Addiction Prevention  
Senator Steineger  
Art Hall, Kansas University  
Carissa Culling McKenzie

Others attending:

See attached list.

Senator Betts, appeared before the committee to request the introduction of legislation establishing the Racial Profiling Commission.

Senator Gilstrap made the motion that this request should be introduced as a committee bill. Senator Wilson seconded the motion. The motion carried

Whitney Damron, on behalf of the City of Topeka, appeared before the committee to request the introduction of legislation creating the Topeka/Shawnee County Riverfront Authority. (Attachment 1)

Senator Hensley made the motion that this request should be introduced as a committee bill. Senator Wilson seconded the motion. The motion carried.

**SB 299 – Local option to increase maximum permitted alcohol content of cereal malt beverage**

Chairman Brungardt opened the hearing on **SB 299**.

Bob Alderson, Casey's General Store, appeared as a proponent on the bill. (Attachment 2) A substitute bill was provided; the real issue involved with this bill is not a liquor issue, but an economic issue. The persistent misconception by consumers that Cereal Malt Beverage (CMB) is of less quality beer, have all combined to produce a dramatic reduction in sales of CMB. This proposed amendment would allow convenience stores to compete on an equal basis with the retail liquor dealers. Other changes include:

- Local option provision
- Only if city or county exercises the local option provision will grocery stores and convenience stores in such city or county be permitted to sell cereal malt beverage containing not more than 5% alcohol by weight

Tuck Duncan, Kansas Wine and spirits Wholesalers Association, spoke in opposition to the bill. (Attachment 3) Under the proposed amendments:

- the local option provision will apply to package sales only
- create another category of product call CMB/beer
- preserve the status quo for tax rates such that all sales of CMB/beer in liquor stores will be subject to an 8% enforcement tax and all sales of CMB/beer by convenience stores and grocery stores will be subject only to state and local sales taxes

- to conform to last year's Sunday sales law

The Association opposes the amendments.

Neal Whitaker, Kansas Beer Wholesalers Association, appeared in opposition to the bill. (Attachment 4) Under the proposed amendments, beer distributors will be required to keep their CMB (3.2%) and regular beer inventories separate and required to maintain four separate storage units for each kind and brands that distributors sell: maintenance of four separate inventories in four separate areas of a warehouse is extremely labor intensive. This legislation appears to be another attempt to deregulate the liquor industry.

Amy Campbell, Kansas Association of Beverage Retailers, spoke in opposition to the bill. (Attachment 5) This bill is written to achieve allowing the sale of strong beer by cereal malt beverage retailers.

Larry Knackstedt, spoke in opposition to the bill. (Attachment 6) Mr. Knackstedt felt that the bill takes primary business away from state licensed liquor store owners and gives it to large corporations.

Garry Winget, Kansas for Addiction Prevention appeared in opposition to the bill. (Attachment 7) The KAP takes the position that it is bad policy to sell alcohol for individuals to consume at the same store that sells gasoline and ethanol to propel automobiles and be able to purchase alcohol and get into their automobile and begin to drink.

Chairman Brungardt closed the hearing on **SB 299**.

### **SB 427 – Consolidation of Johnson and Wyandotte counties and political and taxing subdivisions**

Chairman Brungardt opened the hearing on **SB 427**.

Senator Steineger, appeared in support of the bill. (Attachment 8) This bill is for a nine member Consolidation Study Commission appointed by the Governor to examine the costs and benefits of consolidating Johnson and Wyandotte Counties.

Art Hall, Center for Applied Economics, KU School of Business, provided statistical information on the bill. (Attachment 9)

Chairman Brungardt closed the hearing on **SB 427**

Chairman Brungardt called for possible action on:

### **SB 370 – Wine manufacturers permitted to sell wine directly to consumers subject to requirements to maintain three-tier distribution system**

The Chairman brought a couple of topics to look at. First is the Gerring v. Grahnohl making out of state and in state large wineries do the same thing. Second is continuing the exemption for Kansas Farm Wineries and counter parts out of state, through the permit process of ABC.

Information was provided by Carissa Culling McKenzie (Attachment 10) This included an example of a shipping notice for an “approved wine shipper” label.

The Chairman requested that suggested language be put into a balloon and be available to work later in the week.

The meeting was adjourned at noon. The next scheduled meeting is February 1, 2006.