

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 February 16, 2005 in Room 313-S of the Capitol.

All members were present except:

Representative Kenny Wilk- 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:

Representative Garcia
Representative Ann Mah
R.E. "Tuck" Duncan , Kansas Wine and Spirits Wholesalers Assn.
Norm Jennings, Kansas Grape Growers Assn
Janna Dunbar, Department of Commerce
Rebecca Rice, Beer Wholesalers
Tom Groneman, Alcoholic Beverage Control
Amy Campbell, Kansas Assn. Of Beverage Retailers
John Brewer, Wildwood Wineries

Others attending:

See attached list

Chairman Edmonds called the meeting to order and opened the floor for any bill introductions.

Representative Garcia requested the introduction of a bill concerning notaries public; prohibiting certain acts and providing penalties and remedies for violations.

With no objections, this was accepted for introduction.

Representative Merrick requested the introduction of a bill requiring certain insurance policies to provide for designation of third parties to receive notices.

With no objections, this was accepted for introduction.

Representative Merrick requested the introduction of a bill regarding licensing or occupation fees, and prohibiting thereof for certain persons

With no objections, this was accepted for introduction.

There were no further bill introductions and The Chair opened the meeting for public hearing on **HB 2291** (farm winery shipments of wine within and out of state; reciprocity) and **HB 2292** (purchase and shipping of wine from sellers in other states) with the hearing to be conducted in parallel.

First to address the committee was R.E. "Tuck" Duncan of Kansas Wine & Spirits Wholesalers Association who spoke as a proponent to both **HB 2291** and **HB 2292**. He provided, for committee review, a copy of the oral arguments regarding the importation or sale of liquor which was heard before the United States Supreme Court November 7, 2004. (Attachment 1) Mr. Duncan related that the subject has been discussed around the nation and the statehouse for about a decade. They support a system that provides for the shipment of a product to a retailer where ID's are checked, taxes are paid, and for items not otherwise currently registered in the state. (Attachment 2)

Next to testify before the committee in approval of **HB 2291** was Representative Ann Mah who opined that the farm winery industry in Kansas is one that has great potential for growth, however, it is being stymied in this state due to antiquated laws. This bill would allow Kansas licensed wine manufacturers to sell and ship wine by mail to residents of other states where reciprocal direct shipping laws exist. It also would allow Kansans to purchase wine directly from wineries in these reciprocal states as well as allow farm wineries in

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Kansas to ship wine directly to Kansas residents. (Attachment 3)

Kansas Grape Growers Association represented by Norman Jennings related that by passing **HB 2291**, Kansas residents seeking wine from other states would be able to legally obtain wine and the Kansas wineries would have instant access to the potential income from shipping to an additional 13 states. He also stated that the impact from this income for the wineries and grape/fruit growers would be very substantial. (Attachment 4)

Mr. Jennings also spoke in opposition to **HB 2292** giving the opinion that as proposed, this bill allows wines from outside Kansas not distributed to reach Kansas residents via shipped means, but does not allow the same right for Kansas wines that are not distributed. It allows for many wineries outside of Kansas to become an instant competitor with customer access not afforded to Kansas wineries which means additional competition which could cause a direct burden on our state wineries. (Attachment 5)

Patty Clark, Director Agriculture Marketing, Kansas Department of Commerce was represented by Janna Dunbar who addressed the committee in opposition to **HB 2292**. It is their feeling that this bill would place Kansas farm wineries at a competitive disadvantage to out-of-state wineries. The bill clearly discriminates against in-state wineries, while allowing the shipment of out-of-state wines into Kansas. (Attachment 6)

Ms. Dunbar also provided, for committee review, response from a survey which was taken January 7, 2005 showing how many acres of various fruits were produced in 2004, how many pounds of different fruits were produced as well as the primary impediments to future growth and success of their winery/vineyard. (Attachment 7)

John Brewer, owner of Wildwood Wineries, addressed the committee relating that the realization that Kansas can make good wine is growing, but that the growers and winemakers are unable to do anything about it because of the current restrictions. He endorses the passage of **HB 2292**. (No testimony)

The Kansas Association of Beverage Retailers was represented by Amy Campbell, Executive Director, who provided testimony regarding **HB 2292** with the thought that this bill offers a creative solution to the barriers some of our customers face when seeking certain limited production and estate wines. KABR supports a progressive look at this issue. (Attachment 8)

Rebecca Rice, Legislative Counsel, Kansas Beer Wholesalers Association, presented testimony in opposition to both **HB 2291** and **HB 2292**. They take the stand that adoption of either bill, without benefit of the Supreme Court decision, could result in the equivalent of deregulation. Ms. Rice provided their opinions regarding the outcomes that would be possible if we proceed without benefit of the Court's pending decision. (Attachment 9) Ms. Rice also presented a CD-ROM entitled "*American Beer Distribution More Relevant Today Than Ever*". (Provided by National Beer Wholesalers Assn. - 1101 King Street, Ste. 600 - Alexandria, Virginia 22314-2944)

Director of Alcoholic Beverage Control, Tom Groneman, addressed **HB 2292** with neutral information as well as recommended language changes for consideration by the committee. (Attachment 10)

Representative McLeland, provided written testimony in support of **HB 2292**. (Attachment 11)

With no other person wishing to address **HB 2291** and **HB 2292**, Chairman Edmonds closed the public hearing on both bills. He further stated that it was his intention to hold these bills at least until such time that the Supreme Court acts.

The Chair expressed to the committee that they would be hearing **HB 2415** on Thursday, February 17th and that since this was one of the major issues of the session, he expected a number of conferees, both proponents and opponents.

With no further business before the committee, The Chair adjourned the meeting.

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