Approved: August 3, 2005

MINUTES OF THE SENATE JUDICIARY COMMITTEE

The meeting was called to order by Chairman John Vratil at 9:30 A.M. on February 14, 2005, in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Mike Heim, Kansas Legislative Research Department Jill Wolters, Office of Revisor of Statutes Helen Pedigo, Office of Revisor of Statutes Nancy Lister, Committee Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Chairman Vratil called the meeting to order and announced the first bill to consider for final action would be SB 27. Chairman Vratil asked Senator Bruce to deliver the Sub-Committee recommendation on this bill.

SB 27—Unlawfully selling drug products containing Ephedrine or Pseudoephedrine, pharmacy controls; rebuttable presumption of intent if possession of more than nine grams

Senator Bruce stated the Sub-Committee met on four occasions and passed out a balloon amendment. (Attachment 1) The Sub-Committee looked at laws in other states and other proposed legislation. Every state around Kansas, with the exception of one, has introduced legislation in the past year patterned off of Oklahoma's law. Other states within the midwest, including Iowa and Illinois, have also introduced legislation with the same restrictions as Oklahoma.

Senator Bruce stated that, when looking at methamphetamine and what medicines could be used as precursors, it was determined that any ephedrine or pseudoephedrine product may be used to make meth, including gel caps and liquids. However, it is the starch-based small red pills that are predominately used because the other forms do not make a quality methamphetamine product.

Senator Bruce stated that the Sub-Committee looked at the issue of bail. Their recommendation, reflected in the balloon amendment, sets bail at \$50,000, unless the judge finds that the defendant is unlikely to reoffend, or if the court imposes pretrial supervision or the defendant agrees to participate in an accredited drug treatment program.

Senator Bruce stated that, on the issue of preemption, the Sub-Committee recommendation is to make the bill uniform so that municipalities, cities and counties may not impose more requirements.

Criminal provisions were also addressed. The Sub-Committee removed the section in the original bill that made possession of nine grams or more illegal, and substituted for it the selling of three or more packages of the ephedrine or pseudoephedrine products. Regarding gel caps and liquid, the Sub-Committee decided not to schedule or impose selling restrictions on these forms of product. Instead, the recommendation is to require the Board of Pharmacy and Kansas Bureau of Investigation to review the types of evidence found at meth lab crime scenes and make an annual report to the legislature as to whether or not further action is required on those forms of the product.

The Sub-Committee looked at restriction options at the point of sale, such as lock boxes, behind the counter storing of the product, and such things as surveillance cameras. The Sub-Committee reviewed the scheduling requirements. Under current state law, a precursor to a more serious drug is required to be a Schedule V, so the Sub-Committee determined to leave the product as a Schedule V drug. Senator Bruce stated that the lock-box issue was not included because a lock box would have the same impact as a Schedule V in that small retail stores would not be able sell it due to the lack of resources, manpower and space to handle it properly. The liquid and gel caps may be sold anywhere and without restriction.

CONTINUATION SHEET

MINUTES OF THE Senate Judiciary Committee at 9:30 A.M. on February 14, 2005, in Room 123-S of the Capitol.

The Committee asked several questions of Senator Bruce. Chairman Vratil thanked the Sub-Committee members for their work. Senator Schmidt moved to amend the bill, as recommended by the Sub-Committee, seconded by Senator Journey, and the motion carried.

Final Action:

SB 27--Unlawfully selling drug products containing Ephedrine or Pseudoephedrine, pharmacy controls; rebuttable presumption of intent if possession of more than nine grams

A motion was made to recommend the bill favorably, as amended. <u>Senator Schmidt moved, seconded by Senator Journey, and the motion carried.</u>

Chairman Vratil asked the Committee to consider both SB 14 and SB 32.

SB 14--Definition of mentally retarded for the purposes of imposing the death penalty; pre-trial hearing and special verdict question to the jury

SB 32--Persons with a cognitive disability not eligible for death penalty

Chairman Vratil stated that both of the bills deal with the death penalty and mental retardation, but are different approaches. The Chairman said <u>SB 32</u> is the same bill the Committee recommended last year. It is a bill that was drafted largely with the assistance of the Judicial Council and contains a definition of cognitive disability and would preclude imposing the death penalty on a person with a cognitive disability. <u>SB 14</u> recommended by the Interim Judiciary Committee, defines mental retardation. The only significant difference between the two bills are the definitions used.

Senator O'Connor stated that she read Deputy District Attorney Kevin O'Connor's testimony, in which he stated he had done a number of death penalty trials dealing with these kinds of issues, and that current law protects the mentally retarded and does not need to be changed. Senator Bruce indicated that he read Mr. O'Connor's testimony also and came to the same conclusion. After hearing all the testimony, Senator Bruce stated he was of the opinion that this type of case is very rare, and even if there was such a defendant, that the statutes already on the books would take care of the mentally retarded, and it would be unconstitutional to try an individual if they met one or more of the fourteen criteria. Senator Donovan also concurred and suggested that action at this time may be unnecessary. A motion was made to table both <u>SB 14</u> and <u>SB 32</u>. <u>Senator Journey moved</u>, seconded by Senator O'Connor, and the motion carried.

Chairman Vratil asked the Committee to consider **SB 39**.

Final Action:

SB 39 -Service of process fees charge by sheriff; single payment for same case

A motion was made to recommend the bill favorably and because the bill is noncontroversial in nature, that the bill be placed on the Consent Calendar. <u>Senator Donovan moved, seconded by Senator Bruce, and the motion carried.</u>

Chairman Vratil asked the Committee to consider <u>SB 51</u>.

Final Action:

SB 51-Tobacco settlement agreement; release of funds from escrow

Senator Allen asked if an answer had been provided to Chairman Vratil's question of what refund Xcaliber International had received in Kansas. Chairman Vratil stated that the Attorney General's office did provide a letter indicating the initial escrow deposit for 2001-2003, the amount due per the Master Settlement Agreement(MSA) cap, and the escrow refund that was made. In 2002, Xcaliber received a refund of 84 percent of what they had placed in trust, and in 2003, they received a refund of 85 percent. (Attachment 2)

Senator Bruce stated that he has listened to everyone and researched this issue, and his initial concern is not

CONTINUATION SHEET

MINUTES OF THE Senate Judiciary Committee at 9:30 A.M. on February 14, 2005, in Room 123-S of the Capitol.

so much with the bill, as with the Master Settlement Agreement. Senator Bruce stated that regardless of whether the bill is passed, he thought that the MSA issue would return again. Senator Bruce suggested that the only real fix might be to scrap the MSA and go to a real tax system where every manufacturer is taxed at the same rate.

Senator O'Connor stated she has also struggled with the issue. It is the smaller companies, who started doing business after the MSA, that are being accused of not paying their "fair" share, yet the smaller companies, if they were doing business in more states, they would be paying more. The more states a company is doing business in, the more they are going to have to pay to be in business. Right now, there are a number of states that have effectively shut out the small businesses because of laws like this bill being passed. Senator O'Connor suggested that if the bill were passed, there would probably be another law suit over it, and it was her understanding that there was another law suit and injunction pending in the State of New York. Senator O'Connor suggested passage may not be wise public policy, as there seems to be some anti-trust questions that are still being dealt with.

Senator Umbarger brought to the attention of the Committee a letter dated February 13, 2005 from David Remes, Covington and Burlington. (Attachment 3) Senator Umbarger stated, after reading the letter, he is in support of the bill, even though it is a tough bill. Senator Bruce stated for the record that he was not a smoker. A motion was made to recommend the bill favorably. Senator Umbarger moved, seconded by Senator Allen, and the motion carried.

Chairman Vratil was asked to delay action on <u>SB 53</u> for several days. Because the issue is a complex one, the Chairman stated that the Committee may want to refer it to the Judicial Council for study. Chairman Vratil stated that he would honor the request to delay action on the bill at this time but did plan to work the bill soon.

Chairman Vratil adjourned the meeting at 10:30 A.M. The next meeting is scheduled for February 15, 2005.

Continue to Douts

SENATE JUDICIARY COMMITTEE GUEST LIST

DATE: <u>2/14/05</u>

NAME	REPRESENTING
DAND Kleppel	KC STAR
Kein Barone	KTLA.
Juder Sharendi	VIIIA
TOM Palace	PAICH
Saft Boldabox	Polsinelli, Shild jelel
SimMang.	Foulston Siefkin LLP
Jenny Davis	Contre Consulting
Will futles	Consume Heath Care Products Assoc.
Dan Hermes	Public Solutions
Michael White	KCDAA
KEUIN GRAHAM	AG.
Kyle Smith	KBI
Kan Harsex	AG -
that Duy 10	Thilip Mmis
Take arkin	(0)
Kill Vil	SKS-HCP
Carolyn modicalory	Ks St No Assn
Rocky Nichols	DRC Kr
TERRY HOLDER	KFB

SENATE JUDICIARY COMMITTEE GUEST LIST

DATE: 2/14/05-

NAME	REPRESENTING
R H	Heir haw Firm Charlered
Ron Hein Tady towardle	Heir Law Firm Charterel Gunal Council
1600000	
	_

Session of 2005

12

13

14 15

16

17

18 19

21

23

24

25

30

31

35

36

37

38

SENATE BILL No. 27

By Senators D. Schmidt, Apple, Barnett, Barone, Bruce, Donovan, Emler, Gilstrap, Goodwin, Hensley, Jordan, Kelly, Lee, Morris, Pine, Schodorf, Steineger, Taddiken, Teichman, Umbarger, Vratil, Wilson and Wysong

1-10

AN ACT concerning controlled substances; relating to schedule V substances: unlawful acts; amending K.S.A. 65-1643, 65-4113' and 65-7006 and repealing the existing sections.

, 65-4152, 65-4159

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 65-1643 is hereby amended to read as follows: 65-1643. It shall be unlawful:

- (a) For any person to operate, maintain, open or establish any pharmacy within this state without first having obtained a registration from the board. Each application for registration of a pharmacy shall indicate the person or persons desiring the registration, including the pharmacist in charge, as well as the location, including the street name and number, and such other information as may be required by the board to establish the identity and exact location of the pharmacy. The issuance of a registration for any pharmacy shall also have the effect of permitting such pharmacy to operate as a retail dealer without requiring such pharmacy to obtain a retail dealer's permit. On evidence satisfactory to the board: (1) That the pharmacy for which the registration is sought will be conducted in full compliance with the law and the rules and regulations of the board; (2) that the location and appointments of the pharmacy are such that it can be operated and maintained without endangering the public health or safety; (3) that the pharmacy will be under the supervision of a pharmacist, a registration shall be issued to such persons as the board shall deem qualified to conduct such a pharmacy.
- (b) For any person to manufacture within this state any drugs except under the personal and immediate supervision of a pharmacist or such other person or persons as may be approved by the board after an investigation and a determination by the board that such person or persons is qualified by scientific or technical training or experience to perform such duties of supervision as may be necessary to protect the public health and safety; and no person shall manufacture any such drugs without first obtaining a registration so to do from the board. Such registration shall be

Submitted by Senator Brice indicates DY Senator Brice indicates DY Senator Brice indicates N SB 27

PROPOSED AMENDMENT JUDICIARY SUBCOMMITTEE ON SB 27 February 11, 2005

11

12

19

20

21

22

23

24

25

26

28

29

31

32

33

(c) It shall be unlawful for any person to market, sell, distribute, advertise or label any drug product containing ephedrine, pseudoephedrine, or phenylpropanolamine, or their salts, isomers or salts of isomers for indication of stimulation, mental alertness, weight loss, appetite control, energy or other indications not approved pursuant to the pertinent federal over-the-counter drug final monograph or tentative final monograph or

[(d) It shall be unlawful for any person to purchase, receive or otherwise acquire more than nine grams of any controlled substance designated in subsection (e) or (f) of K.S.A. 65-4113, and amendments thereto,

within any thirty-day period.

approved new drug application.

(e) Except as provided in this subsection, possessing purchasing, receiving or otherwise acquiring a drug product containing more than nine grams of Ephedrine, Pseudoephedrine or Phenylpropanolamine, or their salts, isomers or salts of isomers shall constitute a rebuttable presumption of the intent to use the product as a precursor to methamphetamine or another controlled substance. The rebuttable presumption established by this subsection shall not apply to the following persons who are lawfully possessing drug products in the course of legitimate business:

(1) A retail distributor of drug products or wholesaler;

(2) a wholesale drug distributor, or its agents, licensed by the board of pharmacy;

(3) a manufacturer of drug products, or its agents, licensed by the board of pharmacy;

(4) a pharmacist licensed by the board of pharmacy; and

(5) any person licensed by the state board of healing arts under the Kansa's healing arts act possessing the drug products in the course of carrying out such person's duties

(f) A violation of this section subsection (a), (b) or (c) shall be a drug severity level 1 felony. A violation of subsection (d) shall be a class A nonperson misdemeano

Sec. 4. K.S.A. 65-1643, 65-4113 and 65-7006 are hereby repeated.

Sec. 5. This act shall take effect and be in force from and after its publication in the Kansas register.

(d) It shall be unlawful for any retailer, as defined pursuant to subsection (ff) of K.S.A. 65-1626, and amendments thereto, to sell, deliver or otherwise transfer three or more packages or containers of any controlled substance designated in subsection (e) or (f) of K.S.A. 65-4113, and amendments thereto, during a single retail transaction. For the purposes of this section, "single retail transaction" means a sale by a retail distributor to a specific customer at a specific time.

(e) For persons arrested and charged under this section, bail shall be at least \$50,000 cash or surety, unless the court determines on the record that the defendant is not likely to re-offend, the court imposes pretrial supervision or the defendant agrees to participate in an accredited drug treatment program.

an unclassified misdemeanor, the sentence for which must include, but is not limited to, a minimum \$200 fine

Insert New Section 4 - 7 here and renumber the remaining sections.

, 65-4152, 65-4159



New Section 4. (a) It shall be the policy of the state of Kansas to restrict access to ephedrine and pseudoephedrine for the purpose of impeding the unlawful manufacture of methamphetamine. In furtherance of this policy, the state board of pharmacy shall:

- (1) Consult with the Kansas bureau of investigation and other law enforcement agencies to gather information and detect trends with regard to the types of drug paraphernalia and evidence found at crime scenes. The board shall take into consideration such information and trends in developing the recommendations required by paragraph (2); and
- (2) develop recommendations concerning the most appropriate controls for all products that contain any compound mixture or preparation containing any detectable quantity of ephedrine or pseudoephedrine, its salts, or optical isomers, or salts of optical isomers.
- (b) Such recommendations shall be submitted on or before February 1 each year to the standing committee on judiciary in the senate and the standing committee on corrections and juvenile justice in the house of representatives.

Sec. 1. K.S.A. 65-4152 is hereby amended to read as follows: 65-4152. (a) No person shall use or possess with intent to use:

- (1) Any simulated controlled substance;
- (2) any drug paraphernalia to use, store, contain, conceal, inject, ingest, inhale or otherwise introduce into the human body a controlled substance in violation of the uniform controlled substances act;
- (3) any drug paraphernalia to plant, propagate, cultivate, grow, harvest, manufacture, compound, convert, produce, process, prepare, test, analyze, pack, repack, sell or distribute a controlled substance in violation of the uniform controlled substances act; or
- (4) anhydrous ammonia or pressurized ammonia in a container not approved for that chemical by the Kansas department of agriculture.
- (b) Violation of subsection (a)(1) or (a)(2) is a class A nonperson misdemeanor.
- (c) Violation of subsection (a)(3), other than as described in paragraph (d), or subsection (a)(4) is a drug severity level 4 felony.
- (d) Violation of subsection (a)(3) which involves the possession of drug paraphernalia for the planting, propagation, growing or harvesting of less than five marijuana plants is a class A nonperson misdemeanor.

(e) For persons arrested and charged under paragraph (a)(4) of this section, bail shall be at least \$50,000 cash or surety, unless the court determines, on the record, that the defendant is not likely to re-offend, the court imposes pretrial supervision or the defendant agrees to participate in an accredited drug treatment program.

Sec. 1. K.S.A. 65-4159 is hereby amended to read as follows: 65-4159. (a) Except as authorized by the uniform controlled substances act, it shall be unlawful for any person to manufacture any controlled substance or controlled substance analog.

(b) Any person violating the provisions of this section with respect to the unlawful manufacturing or attempting to unlawfully manufacture any controlled substance or controlled substance analog, upon conviction, is guilty of a drug severity level 1 felony and the sentence for which shall not be subject to statutory provisions for suspended sentence, community work service, or probation.

The provisions of subsection (d) of K.S.A. 21-3301, and amendments thereto, shall not apply to a violation of attempting to unlawfully manufacture any controlled substance pursuant to this section.

(c) For persons arrested and charged under this section, bail shall be at least \$50,000 cash or surety, unless the court determines, on the record, that the defendant is not likely to re-offend, the court imposes pretrial supervision or the defendant agrees to participate in an accredited drug treatment program.

(d)

New Section 7. (a) The provisions of this act, and any rules and regulations promulgated thereunder shall be applicable and uniform throughout this state and in all cities and counties therein. No city or county shall enact or enforce any law, ordinance, rule, regulation or resolution in conflict with, in addition to, or supplemental to, the provisions of this act unless expressly authorized by law to do so.



STATE OF KANSAS OFFICE OF THE ATTORNEY GENERAL

PHILL KLINE
ATTORNEY GENERAL

120 SW 10TH AVE., 2ND FLOOR TOPEKA, KS 66612-1597 (785) 296-2215 • FAX (785) 296-6296 WWW.KSAG.ORG

February 4, 2004

Sen. John Vratil Chairman Senate Judiciary Committee

Sen. Terry Bruce Vice Chairman Senate Judiciary Committee

Sen. Greta Goodwin Ranking Minority Member Senate Judiciary Committee

Re: Committee hearing on S51, Wednesday, February 2, 2005

To the Senate Judiciary Committee:

The following is in response to the recent hearing on S51. Chairman Vratil, during the testimony of Mr. Keith Burdick, inquired regarding the release of escrow payments to XCaliber International, Ltd., LLC.

The records of the Office of the Kansas Attorney General reflect the following:

	Initial Escrow Deposit	Amount Due Per MSA Cap	Escrow Refund to XCaliber	
2001	\$ 286.67	No request for re	fund was made.	
2002	\$ 63,971.08	\$ 9,946.04	\$ 54,025.04 - 84	
2003	\$420,595.89	\$63,878.92	\$356,716.97 - 85	

It should be clarified that these are not monies actually received by the State of Kansas. Rather, these monies are deposited in a trust account, of which the State is the beneficiary. XCaliber retains ownership of the monies and interest earned thereon. The monies can only be claimed by the State upon receiving a

Senate Judiciary

2-14-05

Attachment 2

Senate Judiciary Committee Re: XCalibur escrow release

Page 2

judgment for damages or penalties arising from any wrongdoing on behalf XCaliber. The monies on deposit otherwise revert back to XCalibur after twenty five years from the date of deposit.

Please let me know if you have any questions, or require additional information.

Sincerely,

OFFICE OF THE KANSAS ATTORNEY GENERAL

Karl R. Hansen

Assistant Attorney General

Cc: Sen. Barbara Allen

Sen. Donald Betts

Sen. Les Donovan

Sen. David Haley

Sen. Phillip Journey

Sen. Kay O'Connor

Sen. Derek Schmidt

Sen. Dwayne Umbarger

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE NW WASHINGTON, DC 20004-2401 TEL 202.662.6000 FAX 202.662.6291 WWW.COV.COM

WASHINGTON
NEW YORK
SAN FRANCISCO
LONDON
BRUSSELS

Tohn did you sha this information with committee!

DAVID H. REMES
TEL 202.662.5212
FAX 202.778.5212
DREMES@ COV.COM

February 13, 2005

Sen. John Vratil, Chairman Senate Judiciary Committee 522-S, State Capitol Topeka, KS 661

Re: SB 51 -- Allocable Share Bill

Dear Chairman Vratil:

I respectfully offer for your consideration responses to several claims made by Keith Burdick for XCaliber International in opposition to SB 51.

Claim

The Tobacco Escrow Statute is unfair because, unlike the companies that the States originally sued, the NPMs "did nothing wrong."

Fact

The MSA is not punishment for misconduct but a means of recovering smoking-related heath care costs and otherwise promoting the States' public health objectives, according to the States. The National Association of Attorneys General ("NAAG") has Stated:

The truth is that any cigarette, regardless of manufacturer, will have negative health consequences and costs, some of which will be borne by the States. Only five of the nearly 50 Participating Manufacturers in the MSA were sued by the States. Nevertheless, all of the Participating Manufacturers have agreed to abide by the public health restrictions in the MSA and to compensate the States for a portion of the health care costs their products impose on the States. It is wrong to let certain NPMs, whose products are equally addictive and deadly, enjoy a windfall and endanger the public health by taking advantage of the [allocable share] loophole.

Claim

"We pay exactly the same percentage to Kansas as the participating manufacturers pay, but we pay into an Escrow account. That is the only difference."

NAAG, *The Allocable Share Amendment*, page 5. This NAAG document was submitted to the Committee at its hearing on February 2, 2005.

Senate Judiciary

2.14.05

Attachment 3

Sen. John Vratil, Chairman February 13, 2005 Page 2

Fact

This is misleading. The States intended that an NPM would not only *place* but *hold* in escrow the same amount for its total nationwide sales that it would pay under the MSA. The loophole in the Escrow Statute allows NPMs to avoid this result. An NPM may *place* the same amount in escrow, but the loophole allows the NPM to get most of it back, so that it *holds* in escrow far less than it would have paid under the MSA.

Under the MSA, each participating manufacturer makes an annual payment to the States on 100 percent of its sales nationwide. The payment is then distributed among the MSA States based on each State's allocable share. If a participating manufacturer makes 100 percent of its sales in Kansas, its annual payment under the MSA will reflect all of those sales. Kansas would receive its allocable share (.83 percent) of the payment and the other States would receive their allocable shares.

By contrast, if an NPM makes 100 percent of its sales in Kansas, its escrow *deposit* will reflect all of those sales, but because of the loophole in the Escrow Statute, the NPM will be entitled to a *refund* of 99.17 percent of its deposit. Yet the NPM will not have to make an escrow deposit in any other State. As a result, the amount that the NPM will *hold* in escrow for its total nationwide sales will be less than *1 percent* of the payment it would have made under the MSA.

XCaliber illustrates this effect. In 2002, the company deposited \$64,000 into escrow for sales in Kansas but got back $$54,000 - 84 \, percent$. In 2003, the company placed \$421,000 into escrow for sales in Kansas but got back $$357,000 - 85 \, percent$. These refunds indicate that XCaliber concentrates its sales in several States instead of just one. But because of the loophole, the amount the company will hold in escrow for its sales in those States is only a small fraction of what it would have paid under the MSA.

CLAIM

If SB 51 is enacted, the NPMs will have to deposit more into escrow than the OPMs are required to pay under the MSA.

FACT

Incorrect. If SB 51 is enacted, the amount that an NPM would have to deposit and hold in escrow (assuming the NPM does not qualify for a refund) would be 34 cents per pack. The payment that an OPM makes to the MSA States each year in 34 cents per pack. The OPM also pays the four States that settled before the MSA was negotiated 7 cents a pack, bringing the OPM's total annual settlement payment to 41 cents per pack. This does not include other settlement-related costs that the OPM must pay, e.g., plaintiff attorneys' fees and OPM contributions to the Grower Trust. These substantial obligations increase an OPM's annual settlement costs to 45-50 cents per pack.

CLAIM

An OPM can take a tax deduction for its MSA payment but an NPM cannot take a tax deduction for its escrow payment, with the result that the NPM really pays more.

Sen. John Vratil, Chairman February 13, 2005 Page 3

FACT

An OPM's payment under the MSA goes to the State and thus is deductible as a settlement expense. By contrast, an NPM's escrow deposit remains the NPM's property, giving rise to no deductible expense. The NPM will get the deposit back if the State does not sue the NPM and recover within 25 years, and in the meantime the NPM earns and receives interest on the deposit. Moreover, NAAG reports that "Some NPMs have found ways to structure their transactions to provide for deductibility." Mr. Burdick's testimony does not indicate whether XCaliber has structured its transactions to provide for deductibility or, if XCaliber has not done so, why it has not.

CLAIM

Courts in Oklahoma and New York have issued temporary restraining orders barring those States from enforcing their Allocable Share legislation.

FACT

cc:

To date, Allocable Share legislation has been enacted by 37 of the 46 MSA States. None has been invalidated. The fact that NPMs might challenge SB 51 if it is enacted is not a reason not to enact it. In the Oklahoma case, the State did not oppose the temporary restraining order because State's Allocable Share legislation will not go into operation until April 15, 2005. In the New York case, a federal district court last September granted a preliminary injunction as to the Allocable Share legislation. In doing so, however, the court stressed that it was acting on a limited factual record consisting of untested assertions by the plaintiffs that the State did not have a full opportunity to challenge. The court stressed that "[t]he State thus may yet defeat any requested permanent injunction." *Freedom Holdings, Inc. v. Spitzer*, 2004 WL 2035334, at *31 (S.D.N.Y. Sept. 14, 2004).

* * *

For these reasons and those presented in my oral and written testimony, SB 51 should be enacted.

Sincerely,

/s/

David H. Remes

Members of Senate Judiciary Committee