

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 10, 2004 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Russell Mills, Legislative Research  
Dennis Hodgins, Legislative Research  
Theresa Kiernan, Revisor of Statutes' Office  
John Beverlin, Committee Secretary

Conferees appearing before the committee:

Norm Jennings, Kansas Grape Growers and Wine Makers Association  
Matthew All, Chief Council, Office of the Governor  
Senator Jay Emler

Others attending:

See Attached List.

Chairperson Brungardt called the meeting to order and asked the committee for announcements.

Senator Gilstrap introduced members of the audience.

Chairperson Brungardt asked Theresa Kiernan to provide an overview of **SB 402, farm wineries; rights of licensees; fees; ownership restrictions**. After Ms. Kiernan was finished, Chairperson Brungardt asked the committee for questions.

Senator Clark asked why 10 through 21 had been stricken on page two.

Ms. Kiernan explains that the section requires that 60 percent of ingredients for the product be Kansas grown. She explained that the Kansas Grape Growers and Wine Makers Association asked for the language to be removed.

Senator Clark asked what sections were referred to on lines 19 and 20.

Ms. Kiernan answered that it was the Liquor Control Act.

Chairperson Brungardt asked the committee for additional questions. None were asked. He called Norm Jennings to the podium.

Mr. Jennings provided additional information on **SB 402 (Attachment 1)**.

Mr. Jennings addressed Senator Clark's previous question. He stated that current statute requires that 60 percent of fruit utilized in the wine be from Kansas. He explained that unlike **SB 402**, **HB 2723** does not strike, but clarifies this provision.

Senator Clark observed that the percentage of Kansas grown ingredients goes from 60 to zero percent.

Mr. Jennings stated that Senator Clark was correct. He explained **HB 2723**, leaves the 60 percent but has provisions that keep the winery from having to use poor quality fruit.

Senator Clark stated the legislature's attempt is to develop an industry.

Mr. Jennings stated that **HB 2723** was better for clarifying the intent of his association. He explained that it takes into count Kansas's desire in building this industry.

Senator Clark asked what the status was of **HB 2723**.

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Mr. Jennings stated the bill has been referred to the House Federal and State Affairs Committee.

Senator Teichman asked if there is a reason why the ingredients amendment cannot be put into **SB 402**.

Mr. Jennings stated that his association preferred the amendment be added to the bill.

Chairperson Brungardt asked Mr. Jennings if there was anything else that Kansas farm wineries would like to be addressed.

Mr. Jennings explained the provision that strikes the 50,000 gallon per year requirement in **SB 402** and the provision that adds clarifying language to **HB 2723**. He explained that currently under the liquor control act, once a farm winery reached production of more than 50,000 gallons per year, the winery would have to shut down, or close all outlets run by the winery and sell only to retailers, restaurants, and clubs.

Senator Vratil asked about page five lines 13 through 17.

Mr. Jennings stated the change would allow the licensee to gain another farm winery license or have ownership of another farm winery on a minority basis.

Chairperson Brungardt thanked Mr. Jennings and welcomed Senator Emler to the podium.

Senator Emler wanted to talk to the committee about **SB 349, intoxicating liquors; retail sales outside cities; micro breweries**. He explained the problem with a micro brewery in western Kansas. He further explained how the restaurant and brewery is unable to get a license because it is located in a county with a population less than 5,000. Senator Emler asked that **SB 349** be rolled into **SB 402**. He explained that the amendment would do away with the population and the gallonage requirement.

Chairperson Brungardt asked the committee to consider action on **SB 290, revising the membership of the capitol area plaza authority**. He asked Ms. Kiernan to answer committee members' questions.

Dennis Hodgins provided a map of the Capitol Area Plaza Authority's jurisdiction (Attachment 2).

Senator Teichman made a motion to recommend SB 290 favorable for passage. The motion was seconded by Senator Vratil.

Senator O' Connor asked the committee to consider an amendment that would require five votes instead of four.

Senator Teichman made a motion to withdraw her motion.

Senator Teichman made a motion to amend SB 290, to require five votes, and to recommend SB 290 favorable for passage as amended. The motion was seconded by Senator O' Connor.

Senator Clark made a substitute motion to amend SB 290 and the jurisdiction of the Capitol Area Plaza Authority to include everything as drawn in the map presented by Mr. Hodgins (Attachment 2). The motion was seconded by Senator Teichman.

Senator Vratil stated that he could not support the bill because the committee does not know for sure if there is a constitutional problem. He explained the bill may actually restrict more than help the authority.

Senator Clark withdrew his motion. Senator Teichman withdrew her motion.

Senator Clark asked for an Attorney General's opinion on the Executive Branch power in appointment to the reduced Capitol Area Plaza Authority.

Chairperson Brungardt asked Theresa Kiernan to draft the question for Attorney General Kline.

Chairperson Brungardt welcomed Matthew All to the podium.

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MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at 10:30 a.m. on February 10, 2004 in Room 231-N of the Capitol.

Mr. All provided an overview of **SB 499, Kansas expanded gaming opportunity act; authorizing destination casinos, electronic and video gaming and other games at certain locations** (Attachment 3).

Chairperson Brungardt asked Mr. All to review the make-up of the Gaming Commission.

Mr. All explained that the Commission would be made up of seven individuals. He explained the rules the commission would have to follow. He further explained that the members would be unable to accept gifts, would not be able to have worked or have financial interests in the gaming industry for two years prior to their membership on the Commission, and could not work in the gaming industry for two years after their commission. Mr. All explained that the Chair of the Commission as well as four additional members would be appointed by the governor. While the leadership of each Legislative House would appoint a member to the Commission.

Senator Vratil asked what would happen if the County Commission refused to adopt a Certificate of Authority issued by the Gaming Commission.

Mr. All explained the certificate would die.

Senator Vratil stated there was no mechanism to force a vote other than through a petition.

Mr. All stated that Senator Vratil was correct.

Senator O' Connor stated the way the Commission is set up, the governor would always have a 5-2 vote on the Commission.

Mr. All explained that the Governor's office was happy to discuss the make-up of the board.

Chairperson Brungardt asked about the gaming machines that would be placed in fraternal organizations. He wanted to know who would determine which fraternal organizations would receive the machines.

Mr. All stated the fraternal organizations that would receive up to five gaming machines would be determined by lottery.

Senator O' Connor asked Mr. All to explain the scholarship program that would benefit from the casino revenue.

Mr. All explained the scholarships would go to Kansas high school seniors, through the existing Kansas Scholars Grant Program, who are going to attend Kansas post-secondary institutions.

Senator Barnett asked whether the 2500 video lottery terminals would bring 60 million dollars in revenue to the state.

Mr. All explained the 60 million was a statistic based on if the state placed 1800 terminals at a 45 percent cut of the gross revenue.

Senator Barnett asked how much revenue three destination casinos would bring in as well.

Mr. All explained that if you assumed a casino brought in 160 million dollars in gross revenue each year, one casino would bring in 30 million dollars for the state.

Chairperson Brungardt asked for the definition of a Class A club.

Ed Van Petten explained that it was defined under the Liquor Control Act, but is restricted to members only clubs such as the Eagles, Elks, and Veterans of Foreign Wars.

Chairperson Brungardt thanked Mr. All and Mr. Van Petten.

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Senator Gilstrap made a motion to introduce the bill. The bill was seconded by Chairperson Brungardt.

Chairperson Brungardt decided to wait until another time to take a vote for the introduction of **SB 499**.

The meeting was adjourned at 11:45 a.m. The next meeting is scheduled for February 11, 2004 at 10:30 a.m. in room 231-N.