

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 13, 2007 in Room 231-N of the Capitol.

All members were present except:
Senator Roger Reitz- excused

Committee staff present:
Kathie Sparks, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Ken Wilke, Revisor of Statutes Office
Connie Burns, Committee Assistant

Conferees appearing before the committee:
Senator Steineger
Bob Alderson, Casey's General Stores, Inc
Thomas Groneman, Kansas Alcoholic Beverage Control
Neal Whitaker, Kansas Beer Wholesalers Assoc.
Philip Bradley, Kansas Licensed Beverage Assoc.
Amy Campbell, Kansas Assoc. Beverage Retailers

Others attending:
See attached list.

Senator Brownlee requested a bill introduction that concerns employment security law in filing income tax.

Senator Brownlee moved that this request should be introduced as a committee bill. Senator Lynn seconded the motion. The motion carried.

Philip Bradley requested introduction of three bills: 1) Relating to merchants; providing for access to certain credit and debit card rate information (Attachment 1) 2) Relating to merchants; prohibiting certain changes by credit or debit card issuers (Attachment 2) 3) Relating to merchants; prohibiting transaction charges on credit or debit cards (Attachment 3)

Senator Brownlee moved that these requests should be introduced as committee bills. Senator Barnett seconded the motion. The motion carried.

SR 1804 - Increases in Congressional Salaries

Chairman Brungardt opened the hearing on **SR 1804**.

Senator Steineger appeared in favor of the resolution. (Attachment 4) The resolution asks Congress to restrain their pay increases to that of the average family income. The annual salary of a member of congress in 2004 was \$158,000; a member's salary 25 years ago was \$30,000 resulting in an increase of 527% in the past 25 years.

Chairman Brungardt closed the hearing on **SR 1804**.

SR 1805 - Balance federal budget by 2012

Chairman Brungardt opened the hearing on **SR 1805**.

Senator Steineger spoke in favor of the resolution. (Attachment 5) This resolution requests that Congress balance the Federal Budget by 2012. In Fiscal Year 2006, the U.S. Government spent \$406 billion on interest payments to the holders of the National Debt.

Chairman Brungardt closed the hearing on **SR 1805**.

CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:30 a.m. on February 13, 2007 in Room 231-N of the Capitol.

SB 317 - Local option to increase maximum permitted alcohol content of cereal malt beverage.

Chairman Brungardt opened the hearing on **SB 317**.

Bob Alderson, representing Casey's General Stores, Inc., spoke in favor of the bill. (Attachment 6) Mr. Alderson stated that he is authorized to present testimony on behalf of the Petroleum Marketers and Convenience Store Association of Kansas, Inc., QuickTrip, Hy-Vee, Inc, and the Kansas Food Dealers Association. This 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 bill would allow convince stores to compete on an equal basis with the retail liquor dealers.

Tom Groneman, Director, Kansas Alcoholic Beverage Control (ABC), appeared as a opponent of the bill. (Attachment 7) The retail sale of CMB to consumers is regulated by cities and counties under the CMB Act for both on and off-premises consumption; and Malt beverages with more than 3.2% alcohol by weight are defined as beer, and are regulated by the Director of ABC under the Liquor Control Act for off-premises consumption and under the Club and Drinking Establishment Act for on-premises consumption. The bill creates a fourth (4th) act, and asks if the legislature determines that there should be two strengths of CMB, ABC proposed that the intended purpose can best be accomplished by making amendments to the current acts by clearly defining the activities of the various licensees and the enforcement responsibilities of state verses local authorities.

Neal Whitaker, Kansas Beer Wholesalers Association, spoke in opposition of the bill. (Attachment 8) The bill creates two different definitions for what is essentially the same product; in the first section the act requires that cereal malt beverage must be kept and sold separately from alcoholic liquor. The bill exempts this new class of retailers from most of the liquor control act and adds 49 new sections that attempt to rewrite the liquor control act; there are a few things that need to be adjusted in the current liquor laws and creating a third category for selling malt beverages is not one of them.

Philip Bradley, Kansas Licensed Beverage Association, appeared in opposition to the bill. (Attachment 9) The bill if passed and a county opted in then the members of the association have questions and concerns and could not support the bill without the appropriate answers. Questions deal with:

- could you have both
- hours of operation
- who would the on premise businesses be able to purchase CMB from
- taxes - who and how much or pay all three taxes
- option to purchase and sell only strong beer
- would the CMBR be subject to the same penalties for violations and the same appeal process

Amy Campbell, Kansas Association of Beverage Retailers, (KABR) appeared as an opponent to the bill. (Attachment 10) This form of legislation has been brought up during the 2001 and 2002 session, was rejected in 1993-94 session, 1989 the Senate Fed and State Committee rejected again, and varied versions in 2005 and 2006. The bill is written to achieve one purpose and that is to allow the sale of strong beer by cereal malt beverage retailers. If the committee wishes to change how alcohol is sold in Kansas, KABR would respectfully request an amendment that would require all alcohol beverages and cereal malt beverages to be sold by licensed retail liquor stores.

Written testimony in opposition to the bill was provided by Tuck Duncan, Kansas Wine & Spirits Wholesalers Association, (Attachment 11) Larry Knackstedt, President, Kansas Association of Beverage Retailers, (Attachment 12) Dave Dvorak, Flint Hills Wine & Spirits, (Attachment 13) and Brian Flanery, Top Sellers Wine & Spirits, (Attachment 14).

Chairman Brungardt closed the hearing on **SB 317**.

The meeting was adjourned at 11:45 am. The next scheduled meeting is February 14, 2007.