

Approved: 2-7-06  
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 19, 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:

Tuck Duncan, KS Wine & Spirit Wholesalers Association  
Greg Shipe, KS Viticulture & Farm Winery Assoc.  
Norm Jennings, KS Grape Growers & Winemakers Assoc.  
Amy Campbell, KS Association of Beverage Retailers  
Dave Corbin, KS Dept of Revenue

Others attending:

See attached list.

Dan Hermes, Kansas Alcohol and Drug Service Providers Association appeared before the committee to request a bill introduction. The proposed bill would dedicate resources for problem gaming amending KSA 2005 Supp 79-4801 and 79-4806. (Attachment 1)

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

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

Chairman Brungardt opened the hearing on **SB 370**.

Tuck Duncan, Kansas Wine & Spirit Wholesalers, appeared before the committee in support of the bill. (Attachment 2) The bill allows consumers to order wine directly from a winery while requiring the delivery to be completed in a face-to-face transaction through a licensed retail establishment. This non-discriminatory approach, consistent with the new FDA bioterrorism rules for tracking beverage alcohol is also applied to instate producers as well as out of state producers. This action responds to concerns of the Court and still protect the Kansas's right to regulate alcohol sales through the three-tier system.

Greg Shipe, Kansas Viticulture & Farm Winery Association, spoke in opposition to the bill. (Attachment 3) The current bill makes absolutely no provision to help Kansas wineries by allowing direct shipping and urged the committee to amend the bill by incorporating the "direct shipping model."

Norm Jennings, Kansas Grape Growers & Wine Makers Association appeared neutral on the bill. (Attachment 4) Mr. Jennings recommended amending the bill with the "direct shipping model" currently in place in a majority of states that allow wine shipping, including those that have modified the laws after the Supreme Court ruling. This model allows for fast efficient deliveries, age verification, collection of all taxes, completely traceable shipments, annual reports and can include wording pertaining to "wine not currently distributed and locally available within the state."

Philip Bradley, Kansas Licensed Beverage Association, provided neutral testimony on the bill. (Attachment 5) The Association supports a workable legal bill that would allow for state control, equal regulation on underage access, appropriate tax collection and access to all sectors; the bill in its current

form needs adjustment to meet those criteria.

Amy Campbell, The Kansas Association of Beverage Retailers, provided neutral information on the bill. (Attachment 6) The Association supports a Task Force to study wine shipment laws and review the potential impact to Kansas and is willing to participate in a cooperative process to review the options and learn from the experiences of other states.

Dave Corbin, Department of Revenue Alcoholic Beverage Control, requested of the committee the time to review the bill as the Department had just received it. (Attachment 7) The bill would probably require one additional staff to track and monitor the process and account for the taxes owed to the State, and the proposed fee of \$25 does not come close to covering the projected costs foreseen in the administration and regulation of the provisions of the bill, and several statutory and regulatory amendments and internal policy changes would need to be implemented if the bill passes as written.

Chuck McGrigg and Larrie Ann Lower, Wine Institute provided written comments on the bill. (Attachment 8)

The meeting was adjourned at 11:58 am. The next scheduled meeting is January 24, 2006.