

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 12, 2008 in Room 526-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department  
Dennis Hodgins, Kansas Legislative Research Department  
Melissa Doeblin, Revisor of Statutes Office  
Theresa Kiernan, Revisor of Statutes Office  
Connie Burns, Committee Assistant

Conferees appearing before the committee:

Senator Wysong  
Tom Groneman, Alcoholic Beverage Control  
Tuck Duncan, KS Wine & Spirits Wholesalers Assoc.  
Neal Whitaker, KS Beer Wholesalers  
John Peterson, Anheuser Busch Companies

Others attending:

See attached list.

Senator Julia Lynn requested to introduce two bills. (Attachment 1)

The first request is an act concerning certain Homeowner's Associations.

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

The second request is an amendment of Transportation Development District Act. An affidavit form was provided. (Attachment 2)

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

**SB 500- Alcoholic beverages; termination or modification of distributor's franchise**

Chairman Brungardt opened the hearing on **SB 500**

Senator David Wysong, appeared in support of the bill. (Attachment 3) Senator Wysong believes that there is a conflict between 41-41(e) in the current law and 41-410(f) of the proposed law, and is seeking to make the administrative remedy by striking (e) and replace (f) to become (e).

Tom Groneman, Director, Alcoholic Beverage Control, appeared in opposition to the bill. (Attachment 4) The bill amends KSA 41-410 as it relates to the termination, modification or alteration of franchise agreements for distribution of alcoholic liquor and CMB in the State of Kansas, and opposes the bill for two reasons:

- A franchise agreement is basically a contract between the supplier and the distributor, and the proper place to decide contract disputes is in the courts as currently provided by subsection (e)
- If the intent of the bill is to shorten the time to terminate a franchise agreement, the bill may do just the opposite. If a party chooses to appeal under subsection (f) there will be two additional steps before the matter would go to district court

Tuck Duncan, General Counsel, Kansas Wine & spirits Wholesalers Association, spoke in opposition to the bill. (Attachment 5) The original legislation in 1979 included the director in the process of reviewing termination, after numerous hearings the legislature in its final conference committee report removed the Agency and established the process of a direct Court appeal. The process has worked and the Association does not advocate any changes in the system.

## CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:30 a.m. on February 12, 2008 in Room 526-S of the Capitol.

Neal Whitaker, Kansas Beer Wholesalers Association, appeared in opposition to the bill. (Attachment 6) The court system in Kansas is adequately equipped to handle the few disputes that have occurred since the law was passed in 1979, and by including the ABC Director and the Administrative Law system on these business disagreements, will only add additional expense and lengthen the time to reach conclusion.

John Peterson, Anheuser Busch Companies, appeared in opposition to the bill. (Attachment 7) Franchise agreements are contracts between two business, and to expand the role of government, by interjecting a State governmental official into those contracts, as the person who actually determines whether there has been a violation or otherwise should be allowed to be changed is not appropriate.

Chairman Brungardt closed the hearing on **SB 500**.

The meeting was adjourned at 11:10 am. The next scheduled meeting is February 13, 2008.