

**Testimony in Support of SB 143
to the Senate Committee on Agriculture and Natural Resources
by Jeff Vogel, Program Manager
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Good morning Chairman Kerschen and members of the committee. I am Jeff Vogel and I serve as the Grain Warehouse Program Manager for the Kansas Department of Agriculture (KDA). Thank you for the opportunity to provide testimony in support of Senate Bill 143 which updates the maximum storage fee for grain warehouses and the definitions section of the Grain Warehouse Act.

The Grain Warehouse Program licenses grain warehouses to ensure they meet financial and insurance bonding requirements and performs examinations to protect the farmers who deposit grain in the public grain warehouses. The Grain Warehouse Program was transferred to KDA in 1997. At that time, the former Grain Warehouse Department was abolished, and the responsibility of grain grading was privatized while the auditing portion of the program was transferred to KDA. After the transfer to KDA, fees were increased in 2004 up to the statutory maximum, except for the very small grain warehouses. Fees have remained flat since 2004, and the program has struggled with annual deficits in most of the last ten years. (Figure 1.)

In an effort to address this shortfall, KDA has implemented several efficiency practices: we reduced the time spent completing examinations, upgraded examination software, increased the use of laser measuring devices, and piloted electronic data transfers. Nevertheless, these increases in efficiency were not enough to reduce costs and still maintain the six full-time examiners in the field necessary to conduct annual examinations. Funding these positions, travel and fuel costs, administrative costs, and other costs would total about \$565,000 per year. The program receives approximately \$142,000 in SGF and about \$340,000 in fee funds per year, creating a deficit of approximately \$83,000 when the program is fully staffed and able to complete capital purchases like vehicle replacements.

During our conversations with stakeholders about the deficit, they expressed support for continuation of the Grain Warehouse Program even though there is a federal licensing option available to public grain warehouses. Several advantages to continuing a state grain warehouse inspection program were cited: better customer service, KDA's willingness to license bunker storage, and an examination process that gives the grain warehouses a complete measurement of their facility. After extensive consultation with stakeholders, KDA is now proposing the increase in maximum annual license fees to cover the annual deficit and allow the program to continue operating as required.

Along with adjusting the license fees, which will be phased over two years through the adoption of rules and regulations, Senate Bill 143 also updates the definitions section of the Grain Warehouse Act for technical and organizational purposes and does not add any new definitions. The bill also removes the option for an audit or review from an independent public accountant: Only audits or reviews from a certified public accountant will be allowed. Eliminating the option for an independent public accountant will ensure that the only source of these important financial statements that KDA uses to calculate the net worth of the licensee will be from a certified accountant who is trained in conducting audits or reviews. Finally, the 12-month examination interval has been adjusted to require an inspection not less than once during an 18-month interval, with the ability for the Secretary to conduct examinations on a more frequent schedule, if needed, to protect the public. At this time, the goal of the program is to continue a 12-month examination interval, but this will give KDA flexibility when unplanned events happen that may delay examinations.

Senate Bill 143 will allow KDA to operate a Grain Warehouse Program with a sustainable budget to protect the farmers who deposit grain in the public grain warehouses. Thank you for the opportunity to provide testimony on SB 143, and we urge you to support this bill.

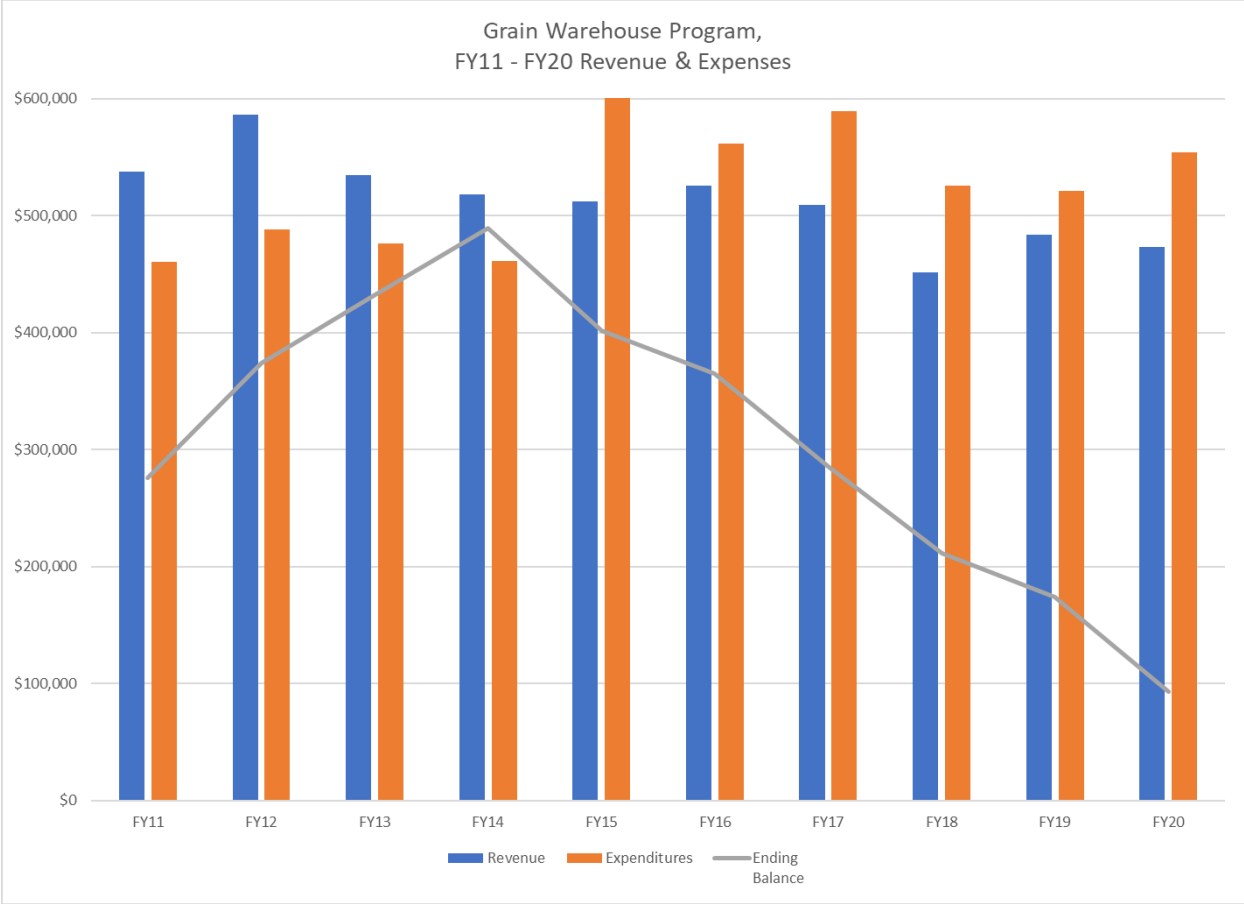


Figure 1. Grain Warehouse Program fiscal year 2011 through 2020 revenue, expenses, and grain warehouse fee fund ending balance. Beginning FY15, a reduction in ~\$77,000 in SGF and/or EDIF occurred, along with 4 overdue vehicle replacements, and an increase in administrative fee.

-----Senate Bill 143 Fee Schedule-----							
Licensed Capacity (Bu.)	Fee	No State Licensees	Functional Units	Bu. Fee	Func. Fee	Total Fee	
1	100,000	\$740	-	-	\$0	\$0	\$0
100,001	150,000	\$800	1	-	\$800	\$0	\$800
150,001	250,000	\$850	5	-	\$4,250	\$0	\$4,250
250,001	300,000	\$910	1	-	\$910	\$0	\$910
300,001	350,000	\$960	1	-	\$960	\$0	\$960
350,001	400,000	\$1,020	2	-	\$2,040	\$0	\$2,040
400,001	450,000	\$1,060	1	-	\$1,060	\$0	\$1,060
450,001	500,000	\$1,120	3	-	\$3,360	\$0	\$3,360
500,001	600,000	\$1,160	2	-	\$2,320	\$0	\$2,320
600,001	700,000	\$1,220	1	-	\$1,220	\$0	\$1,220
700,001	800,000	\$1,570	-	-	\$0	\$0	\$0
800,001	900,000	\$1,620	1	1	\$1,620	\$500	\$2,120
900,001	1,000,000	\$1,660	1	-	\$1,660	\$0	\$1,660
1,000,001	1,750,000	\$2,260	10	4	\$22,600	\$2,000	\$24,600
1,750,001	2,500,000	\$2,590	7	8	\$18,130	\$4,000	\$22,130
2,500,001	5,000,000	\$3,230	13	23	\$41,990	\$11,500	\$53,490
5,001,001	7,500,000	\$3,880	4	16	\$15,520	\$8,000	\$23,520
7,500,001	10,000,000	\$4,390	2	-	\$8,780	\$0	\$8,780
10,000,001	12,500,000	\$4,810	2	19	\$9,620	\$9,500	\$19,120
12,500,001	15,000,000	\$5,180	1	11	\$5,180	\$5,500	\$10,680
15,000,001	17,500,000	\$5,550	1	10	\$5,550	\$5,000	\$10,550
17,500,001	20,000,000	\$5,960	1	25	\$5,960	\$12,500	\$18,460
20,000,001		\$5960+\$650/2.5 mil	7	212	\$99,964	\$106,000	\$205,964
			67	329	\$253,494	\$164,500	\$417,994

Table 1. Breakdown of total licensing fees collected by Grain Warehouse Program using the maximum annual storage fee in Senate Bill 143.