

MINUTES OF THE HOUSE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on February 14, 2005, in Room 423-S of the Capitol.

All members were present except:

Representative Judy Showalter- excused

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department

Gordon Self, Revisor of Statutes Office

Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Jill Shelley, Legislative Division of Post Audit

Constantine Cotsoradis, Assistant Secretary, Kansas Department of Agriculture

Duane Simpson, Director of Government Affairs, Kansas Grain and Feed Association

Brad Harrelson, State Policy Director, Governmental Relations, Kansas Farm Bureau

Mary Jane Stankiewicz, President, Kansas Agricultural Alliance

George Royer, Director, Kansas Soybean Association

Leslie Kaufman, Council of Governmental Relations Director, Kansas Cooperative Council

Others attending:

See attached list.

Chairman Johnson asked Raney Gilliland to provide some background information on the grain warehouse program. It was explained that the state's program for regulating public grain warehouses was transferred from the Grain Inspection Department to the Department of Agriculture in 1997. The grain inspection program was privatized. Prior to the split, dollars received in fees from the grain inspection program helped support the functions of the grain warehouse program. At the time of the split, \$900,000 was transferred with the grain warehouse program. **HB 2280** is the result of the depletion of those funds. New Section 1 would authorize sampling of any commodity contained in a licensed warehouse whenever indications of quality problems are observed. New Section 2 provides for civil penalties for violations of law, and Section 3 would increase the cap on public warehouse license fees by about 30 percent.

Jill Shelley, Legislative Division of Post Audit, reviewed the Performance Audit Report, *Department of Agriculture: Reviewing the Grain Warehouse Inspection Program*, dated August, 2004, a copy of which can be obtain from the Legislative Division of Post Audit. The audit answers the question, "Does Kansas Have an Adequate Program for Protecting Farmers Who Have Grain Stored in Public Warehouses?" The audit found that the Kansas grain warehouse program follows a number of good practices, but some major weaknesses impair its ability to protect farmers. She discussed problems found related to licensing, monitoring, enforcement, scope and funding.

Audit recommendations for the Legislature include amending the Kansas Grain Warehouse Act to: 1) increase Kansas' bond rates and minimum bond requirements; 2) require warehouses to provide audited financial statements as part of the annual licensing process; 3) authorize the Department to impose fines for violations; and 4) require the Department to consider grain quality in operating the program, specifically, authorize the use of sampling.

To consider issues surrounding the long-term future of the grain warehouse inspection program, the Legislative Post Audit Committee should request an interim study in 2005 to explore and make recommendations regarding: 1) sustainable funding for the program, and 2) statutory protection for farmers who sell grain on contract, through some type of grain dealer licensing.

Hearing on HB 2280 - Sampling, civil penalties for violations of law and increased fees for grain warehouses

Chairman Johnson opened the hearing on **HB 2280**.

CONTINUATION SHEET

MINUTES OF THE House Agriculture Committee at 3:30 p.m. on February 14, 2005, in Room 423-S of the Capitol.

Constantine Cotsoradis, Assistant Secretary, Kansas Department of Agriculture, appeared in support of **HB 2280** introduced at the request of the Department. He explained that the first two components of the bill, grain quality and civil penalty authority, address issues raised by the Legislative Post Audit Report. The third component addresses funding issues that have been known since the program was transferred to the Department in 1997, but did not reach the crisis point until now. The bill would raise the cap on fees by 30 percent. He noted that at the time of the audit, Kansas was one of only three states with grain warehouse programs funded entirely by fees. So, in addition to the fee increase, the Department has asked for \$100,000 in state general funds. (Attachment 1)

Duane Simpson, Director of Government Affairs, Kansas Grain and Feed Association, appeared in support of **HB 2280**, provided the committee strike Sections 2 and 3 from the bill. KGFA strongly supports authorization for quality sampling of grain in Section 1. They oppose a civil penalty, preferring current law with the power to suspend or revoke a license if a warehouse is in violation of the law or an injunction preventing the warehouse from receiving grain. KGFA opposes raising the fee cap, would prefer additional state general fund money. He noted that the House Agriculture and Natural Resources Budget Subcommittee recommended to the full Appropriations Committee a \$50,000 enhancement to the Governor's budget request of \$100,000. (Attachment 2)

Brad Harrelson, State Policy Director, Governmental Relations, Kansas Farm Bureau, testified in support of Section 1 of **HB 2280** authorizing quality sampling of grain. KFB members support the continuation of an effective and adequately funded state grain warehouse program, however, they support the Governor's efforts to secure state general funds to offset costs of program administration. They believe increased warehouse license fees would ultimately be passed on to the producer. They oppose the civil penalty authority provision, believing that adequate enforcement mechanisms currently exist through the Department's ability to revoke the license. (Attachment 3)

Mary Jane Stankiewicz, President, Kansas Agricultural Alliance, appeared on behalf of the Kansas Agriculture Alliance, a group of eighteen organizations representing agricultural, agribusiness and rural interests. KAA takes positions on specific legislation only when its members are unanimous in the support of or opposition to a bill. KAA opposes civil penalties (Section 2) and a fee increase (Section 3) in **HB 2280**. (Attachment 4)

George Royer, Director, Kansas Soybean Association, appeared in support of the sampling language in Section 1 of **HB 2280**, but opposed the civil penalty and fee provisions in the bill. They feel that adequate remedies currently exist within the state grain warehousing program to address enforcement needs. The Association supports the recent action taken by the House Appropriations Agriculture and Natural Resources Subcommittee recommending an infusion of \$150,000 of state general funds into the grain warehouse program budget. (Attachment 5)

Leslie Kaufman, Council of Governmental Relations Director, Kansas Cooperative Council, testified in support of the sampling language in **HB 2280**, but in opposition to the civil penalty and fee provisions of the bill. They are supportive of the House Appropriations Agriculture and Natural Resources Subcommittee's recommendation to boost the state general fund infusion to \$150,000. The KCC supports a strong State Department of Agriculture and the continuation of the state grain warehouse program. Their members like the ability to choose between the state and federal programs to meet the needs of their individual facilities. She encouraged the committee to strike the civil penalty and fee increase provisions from this bill and advance only the portion dealing with quality sampling. (Attachment 6)

There being no other conferees, the hearing on **HB 2280** was closed.

The meeting adjourned at 5:00 p.m. The next meeting is scheduled for February 16, 2005.