



Kansas Cooperative Council

Kansas Agribusiness Retailers Association

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TO: Chairman Ty Masterson and Members
Senate Committee on Ways & Means

From: Leslie Kaufman, President/CEO
Kansas Cooperative Council (KCC)

Ron Seeber, Vice President – Government Affairs
Kansas Agribusiness Retailers Association (KARA)

RE: **Opposition to SB 499 – moving school district procurement under Kansas Dept. of Administration.**

Chairman Masterson and members of the Senate Committee on Ways & Means, thank you for the opportunity to share our concerns regarding SB 499, and some questions raised by it, with you today. I am Leslie Kaufman, with the Kansas Cooperative Council (KCC) and I submit this testimony on behalf of our members and the members of the Kansas Agribusiness Retailers Association (KARA).

The KCC's membership includes farm marketing and ag supply cooperatives, rural electric and telecommunications companies, insurance and risk management operations, credit unions and Farm Credit system members. KARA is a voluntary trade association whose membership includes over 700 agribusiness firms that are primarily retail facilities supplying fertilizers, crop protection chemicals and seed to Kansas farmers. Together, our agribusiness members provide a variety of fuels to their local areas and many will serve the local school districts located within their operational foot-print. As such, this bill is of interest to our associations and our members.

As a starting point, most of our members operate in smaller communities across the state. They take pride in supporting the local economy and are an integral part of the social fabric in their area. In these communities across this entire state, the merchants, townspeople and the school districts work together for the mutual benefit of the entire community. This bill does much to undercut those positive relationships.

In this vein, SB 499 appears, to us, to run counter to the intent of economic initiatives advanced in recent years by the legislature and the administration to encourage business growth in smaller communities.

In addition to these general observations on the potential overall impacts of SB 499, we also have some specific questions about the draft itself and its implications:

- Section 1 and 2 interaction – In Section 1, the word “fuel” is used in describing the items for which the Secretary shall make agreements for on behalf of schools. Then, on page 2, provision is specifically made for 2 types of fuel – “motor fuel” and “natural gas.” We are unsure of the intent on the differentiation in one section but not the other?
- Section 1, pg. 1, ln 23 – this provision causes us concern as a supplier, whether in our industry or another, may have already made investments or taken other actions incurring costs in anticipation of fulfilling a contract whose term was negotiated to extend beyond the July 1, 2017 deadline.
- We have members who do all their business with school districts via the pump and not bulk sales. Doing business at the pump has allowed their local schools to avoid the cost and regulatory burden of building and maintaining fuel storage and secondary containment, if applicable. Will these types of purchasing arrangements even be available if this bill is enacted? If not, won't many school districts be forced to install bulk holding systems and if so, how cost effective is that?
- When looking at list of items that would be moved under a state procurement umbrella, fuel chemistry, existing distribution systems and pricing seem to, to us, to pose some logistical challenges not present in the other items:
 - It is a flammable, hazardous material subject to layers of regulatory control over manufacture, transportation and storage;
 - It is an exchange traded commodity and pricing is subject to the volatilities of the marketplace;
 - Pricing can vary noticeably from area to area, in some part dependent on your proximity to pipelines and terminals, which will influence transportation costs.
- When we try and envision how consolidating procurement for fuel in a specific state agency will even function, it seems there is the potential for the local retailer, like our members, to be negatively impacted:
 - Shut out of the process and lose the local school business altogether;
 - Forced to sell below their actual cost; or
 - Prevented from offering a discount to the local school.

These questions and comments express our concerns with SB 499. Additionally, in regard to fuel sales, the bill seems built on the assumption that the state WILL negotiate a better deal than our members and their community partners at the local school district have negotiated

over the years. Such an assumption also seems to ignore the financial support, either through price discounts or other contributions that our members provide to their local educational system. Additionally, when school districts contract for/purchase goods with local vendors, dollars are circulated back into their own community which benefits the local economy.

The KCC's membership includes electric cooperatives. We understand they will be joining in comments from the electric utility industry. We would respectfully ask that you be mindful of any concerns they raise, as well.

As noted above, SB 499 raises many questions and concerns for our members. And, from all appearances, it would disrupt business and community relationships between local schools and area service providers, like our members. As such, we cannot support this bill and we respectfully request this committee not advance it. Thank you for your consideration.

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