

Approved

Stephen R. Cloud 4-1885
Date

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Stephen R. Cloud at
Chairperson

9:07 a.m. ~~xxxx~~ on Thursday, February 28, 1985 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Avis Swartzman - Revisor
Carolyn Rampey - Legislative Research Dept.
Jackie Breymeyer - Committee Secretary

Conferees appearing before the committee:

Marvin Webb - Director, State Grain Inspection Department
Gary Bothwell - Head of Inspection Division of Grain Inspection Dept.
Sam Reda - Head of Warehouse Division of Grain Inspection Dept.
Ted Collins - Attorney, Highland, Kansas
Tom Tunnell - Executive Vice President, Kansas Grain and Feed Dealers Assoc.
Representative Don Sallee

The meeting of the Governmental Organization Committee was called to order at 9:07 a.m. by Representative Stephen R. Cloud, Chairman. The minutes of the February 26 meeting were approved. February 27 minutes were distributed. The agenda for the day's meeting was HB 2433, imposing conditions of the Kansas Sunset Law on the Kansas Grain Inspection Department and the office of Director. The Chairman called on Carolyn Rampey, Legislative Research Department, to go over a Memorandum regarding the Kansas State Grain Inspection Department. (See Attachment A) She noted that the Department was established in 1897, and consists of three Divisions; Administration, Warehouse and Inspection. The Director is appointed by the Governor. Advisory to the Director is the Grain Advisory Commission, established in 1953. This Commission, consisting of five members, is appointed by the Governor. The Department is a fee agency and the FY 1986 budget recommended by the Governor is \$4,695,212.

The Chairman asked Mr. Webb, Director of the Grain Inspection Department to begin. Mr. Webb introduced Gary Bothwell, head of the Inspection Division and Sam Reda, head of the Warehouse Division. He read his testimony to the Committee (See Attachment B) Mr. Webb was asked if he were a proponent or opponent of HB 2433. He replied that he was opposed to HB 2433.

Discussion by the Committee followed regarding calibration of testing equipment, moisture content of grain and grain elevators in Plains and Gardner, Kansas. A question arose regarding the recommendations contained in the 1982 audit. Mr. Reda said he thought that all the recommendations contained in the audit had been implemented.

Senator Gordon was present at the meeting and had brought Ted Collins, an attorney from Highland, Kansas, with him. Mr. Collins is working on the Twombly elevator case which involves \$2.2 million dollars of lost assets. Mr. Collins said that the impact on the Northeastern Kansas area has been tremendous financially and psychologically. There is anywhere from an 80% to 95% loss of grain assets. Recovery of money at this time averages 10% to 15%. Not only have the farmers lost assets but also the Commodity Credit Corporation and a few banks. Mr. Collins was asked what he thinks caused this. He replied that he has not seen the KBI report yet but thinks several different areas come into play, one being that the law as it is now is not adequate to protect the farmer.

Tom Tunnell, Executive Vice President, Kansas Grain and Feed Dealers, was present to make a few brief comments. He said his association is quite proud of the Grain Inspection Department and that it has enough rules on the books now to conform to. Putting it under the Sunset provision is not needed.

Representative Sallee stated that the intent is not to do away with the Grain Inspection Department, but practices there are not what they should be. He mentioned that, quite frankly, as the representatives are under review every two years, so might a particular Department or agency be under review. Nothing should be held so sacred as to forego scrutiny of any particular area. The Chairman thanked the conferees and adjourned the meeting at 10:12 a.m.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

SAR

MEMORANDUM

February 20, 1985

TO: House Committee on Governmental Organization
FROM: Kansas Legislative Research Department
RE: Kansas State Grain Inspection Department

The Kansas State Grain Inspection Department was established in 1897. It is responsible for certifying the official grade of all grain by sampling, inspecting, weighing, and analyzing the protein content of grain brought to the Department's various inspection stations. The issuance of certificates by the Department forms the basis of all money settlements between the buyers and sellers of grain. The grading of grain by the Department is done in accordance with the United States Grain Standards Act and is enforced by the United States Department of Agriculture. The Department is also responsible for administering the Kansas Public Grain Warehouse Law relating to the storage of grain.

The Department consists of an administration division, a warehouse division, and an inspection division. The Department's main office is in Topeka and its nine inspection stations are located in Atchison, Colby, Dodge City, Kansas City (recently moved to Kansas from Missouri), Hutchinson, Newton, Salina, Topeka, and Wichita. The director of the Department is appointed by the Governor and confirmed by the Senate.

Advisory to the Director is the Grain Advisory Commission which was established by the Legislature in 1953. The Commission is composed of five members appointed by the Governor and confirmed by the Senate. The Commission advises and counsels the director of the Department in matters relating to the administration of the Department and to the implementation of the Kansas Public Warehouse Act.

For FY 1986, the Governor has recommended operating expenditures of \$4,695,212 for the Department. The recommendation includes funding for 181.0 F.T.E. positions. The operations of the Department are financed from fees charged to the grain and warehousing industries for services rendered.

CR/pb

2/28/85
Attachment A

REMARKS FOR THE
HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

Thursday, February 28, 1985, 9:00 a.m.

Room 522-S, State Capitol

I AM MARVIN R. WEBB, DIRECTOR, KANSAS STATE GRAIN INSPECTION DEPARTMENT - MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE.

I VERY MUCH APPRECIATE THE OPPORTUNITY TO SPEAK TO YOU THIS MORNING ABOUT OUR DEPARTMENT. WE ARE VERY PROUD OF OUR DEPARTMENT. WE HAVE A REPUTATION NATIONWIDE AS THE BEST GRAIN INSPECTION DEPARTMENT IN THE NATION.

THE KANSAS STATE GRAIN INSPECTION DEPARTMENT WAS ESTABLISHED IN 1897, WITH EXCLUSIVE CONTROL OVER SAMPLING, WEIGHING (EXCEPT FOR EXPORT), PROTEIN ANALYZING, AND CERTIFYING OF OFFICIAL GRADES OF GRAIN. THE DEPARTMENT OPERATES WITH THE UNITED STATES GRAIN STANDARDS ACT AND IS MONITORED BY THE FEDERAL GRAIN INSPECTION SERVICE. IN ORDER TO OBTAIN OFFICIAL DESIGNATION, THE DEPARTMENT MUST MEET CRITERIA ESTABLISHED BY THE FEDERAL GRAIN INSPECTION SERVICE. ALL INSPECTORS, SAMPLERS, TECHNICIANS AND WEIGHERS MUST BE EXAMINED AND LICENSED BY THE FEDERAL GRAIN INSPECTION SERVICE. THE CERTIFICATES ISSUED BY THE DEPARTMENT FORM THE BASIS FOR ALL MONEY SETTLEMENTS BETWEEN BUYER AND SELLER.

THE KANSAS STATE GRAIN INSPECTION DEPARTMENT, STAFFED BY FULL-TIME EMPLOYEES, IS COMPRISED OF THREE DIVISIONS: ADMINISTRATION, INSPECTION AND WAREHOUSE.

THE ADMINISTRATIVE OFFICES ARE LOCATED AT 235 S. TOPEKA BLVD. WE SUPERVISE THE OPERATION OF THE DEPARTMENT FROM THIS OFFICE, WHICH IS OUR ACCOUNTING OFFICE, AND OUR COMPUTER OPERATIONS AS WELL. OUR STOREROOM SENDS SUPPLIES TO ALL OF OUR WAREHOUSE EXAMINERS AND INSPECTION STATIONS ACROSS THE STATE. THE ADMINISTRATIVE DIVISION IS ALSO RESPONSIBLE FOR THE EXECUTIVE FUNCTIONS AND LOGISTICS NECESSARY FOR THE EFFICIENT OPERATION OF THE DEPARTMENT. THE DIRECTOR OF THE DEPARTMENT,

2/28/85
Attachment B

WITH THE APPROVAL OF THE GRAIN ADVISORY COMMISSION, IS AUTHORIZED BY STATUTE TO ESTABLISH CHARGES FOR SERVICES PERFORMED, SUFFICIENT TO COVER EXPENSES INCURRED PROVIDING THESE SERVICES.

THE INSPECTION DIVISION, LOCATED AT STATIONS IN ATCHISON, COLBY, DODGE CITY, HUTCHINSON, KANSAS CITY, SALINA, TOPEKA AND WICHITA, PERFORMS THE OFFICIAL GRADING, PROTEIN DETERMINATION AND WEIGHING OF GRAIN.

AN OFFICIAL INSPECTION SHALL CONSIST OF EXAMINING A REPRESENTATIVE SAMPLE, OBTAINED BY THE PROPER SAMPLING PROCEDURES AND MAKING SUCH TESTS AS ARE NECESSARY TO DETERMINE ITS GRADE.

PROTEIN CONTENT DETERMINATIONS ARE MADE WITH THE NEAR-INFRARED REFLECTANCE DEVICE. WITH PROTEIN ANALYSIS CAPABILITIES AT ALL STATIONS, THE DEPARTMENT HAS A CAPACITY GREATER THAN ANY OTHER GROUP OF LABORATORIES UNDER ONE CONTROL.

THE MOST ACCURATE AND EFFICIENT SAMPLING PROCEDURE AVAILABLE IS THE DIVERTER-TYPE MECHANICAL SPOUT SAMPLING METHOD. IT AFFORDS THE SHIPPER THE ADVANTAGE OF HAVING THE GRAIN SAMPLED AND GRADED BEFORE IT IS BILLED. MECHANICAL SAMPLER INSTALLATIONS MUST BE CHECKED AND APPROVED BY THE KANSAS STATE GRAIN INSPECTION DEPARTMENT.

THE DEPARTMENT HAS INSTITUTED A CONTRACT SAMPLER PROGRAM. UNDER THE PROGRAM, CONTRACTS WITH INDIVIDUALS TO PERFORM PROBE SAMPLING FUNCTIONS AT SPECIFIED LOCATIONS THROUGHOUT THE STATE. THE DEPARTMENT FEELS THE PROGRAM HOLDS GREAT PROMISE AND, DUE TO PRESENT RAILROAD REGULATIONS, IS ADVANTAGEOUS TO MANY SHIPPERS.

OFFICIAL GRADING AND WEIGHING OF GRAIN AT INTERIOR MARKETS IS NOT MANDATORY, BUT MUST BE REQUESTED BY THE INDUSTRY. ALL GRAIN SHIPPED INTO AND OUT OF AN EXPORT ELEVATOR, AT AN EXPORT LOCATION, MUST BE OFFICIALLY WEIGHED, BUT DOESN'T HAVE TO BE INSPECTED; EXCEPT THAT GRAIN EXPORTED FROM THE UNITED STATES MUST BE OFFICIALLY INSPECTED.

THE WAREHOUSE DIVISION, ESTABLISHED IN 1907, IS RESPONSIBLE FOR ADMINISTERING THE KANSAS PUBLIC WAREHOUSE LAW. TO OPERATE AS A PUBLIC WAREHOUSEMAN IN KANSAS, A PERSON MUST APPLY TO THE DIRECTOR OF THE KANSAS STATE GRAIN INSPECTION DEPARTMENT FOR A WAREHOUSE LICENSE, WHICH ENTITLES HIM TO ONE COMPLETE EXAMINATION OF HIS WAREHOUSE EACH YEAR WITHOUT CHARGE. EVEN THOUGH ONE INSPECTION IS ALL THAT IS REQUIRED, THE WAREHOUSE DIVISION HAS IN PAST YEARS, AS A MATTER OF POLICY, MADE AN ADDITIONAL INSPECTION AT NO CHARGE. ALL GRAIN WAREHOUSE RECEIPTS, UNDER STATE LICENSED WAREHOUSES, ARE UNDER STRICT CONTROL OF THE WAREHOUSE DIVISION. THE KANSAS WAREHOUSE RECEIPT IS CLOSELY MONITORED AND IS ONE OF THE MOST COMPLETE AND PRESTIGIOUS IN THE COUNTRY.

ELIGIBILITY TO OPERATE UNDER THE KANSAS PUBLIC WAREHOUSE LAW IS DETERMINED BY CONDUCTING AN EXAMINATION ENCOMPASSING FINANCIAL CONDITION, STORAGE AGREEMENTS, WAREHOUSEMAN TENURE, OWNERSHIP OF LEASE, DESCRIPTION OF OPERATING PLANT AND MACHINERY (WITH ACCOMPANYING CHARTS AND MAPS), QUALIFICATION OF WAREHOUSE PERSONNEL, RECORDKEEPING AND INSURANCE COVERAGE. SUBSEQUENT EXAMINATIONS ARE MADE TO DETERMINE IF CONDITIONS OF THE PUBLIC WAREHOUSE LAW ARE BEING MET. SPECIAL EXAMINATIONS MAY BE WARRANTED DUE TO GRAIN SHORTAGES, SUSPECTED GRAIN CONVERSIONS, DETERIORATION OF GRAIN, DISASTER TO THE WAREHOUSE OR COMMODITIES AND CERTAIN OTHER CONDITIONS BROUGHT TO THE ATTENTION OF THE DIVISION.

THE GRAIN ADVISORY COMMISSION WAS ESTABLISHED BY THE LEGISLATURE IN 1953. COMPOSED OF FIVE MEMBERS, FROM DIFFERENT SEGMENTS OF THE GRAIN INDUSTRY, THE COMMISSION IS APPOINTED BY THE GOVERNOR AND CONFIRMED BY THE SENATE. THE COMMISSION ASSISTS THE DIRECTOR IN MATTERS OF DEPARTMENT ADMINISTRATION. COMPLAINTS AND INQUIRIES RECEIVED BY THE COMMISSION ARE REFERRED TO THE DIRECTOR. MEMBERS OF THE COMMISSION SERVE THREE YEAR TERMS AND ARE REQUIRED TO MEET QUARTERLY.

THE KANSAS STATE GRAIN INSPECTION DEPARTMENT IS WHOLLY SUPPORTED FROM FEES

CHARGED GRAIN AND WAREHOUSING INDUSTRIES. AS PRESCRIBED BY LAW, \$200,000 OF THE DEPARTMENTS GROSS REVENUE IS CREDITED TO THE STATE OF KANSAS GENERAL REVENUE FUND. THE BALANCE IS USED FOR OPERATION AND MAINTENANCE OF THE DEPARTMENT.

THE KANSAS STATE GRAIN INSPECTION DEPARTMENT ENJOYS A REPUTATION AS THE FINEST OFFICIAL INSPECTION AGENCY IN THE UNITED STATES. WE FEEL OUR EXPERTISE IN GRADING, WEIGHING AND WAREHOUSING CAN BE OF REAL BENEFIT TO ANYONE ENGAGED IN GRAIN PRODUCTIONS, STORAGE AND HANDLING. WE EXTEND A CORDIAL INVITATION FOR YOU TO VISIT ONE OF OUR INSPECTION STATIONS FOR A FIRST-HAND LOOK AT YOUR GRAIN INSPECTION DEPARTMENT AT WORK.