

Approved April 16, 1987  
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Representative Clifford Campbell at  
Chairperson

9:05 a.m. ~~p.m.~~ on March 25, 1987, 1987 in room 423-S of the Capitol.

All members were present except: Representatives Freeman, Goossen, Lacey and Teagarden, who were excused.

Committee staff present: Norman Furse, Revisor of Statutes Office  
Raney Gilliland, Legislative Research Department  
Pat Brunton, Committee Secretary

Conferees appearing before the committee: Bev Bradley, Legislative Coordinator, Kansas Association of Counties  
Adrian Polansky, Chairman, Kansas Wheat Commission  
Galen Swenson, Administrator, Commodity Commissions, State Board of Agriculture  
Howard Tice, Executive Director, Kansas Association of Wheat Growers  
Wilbur G. Leonard, Legislative Agent, Kansas Farm Organizations

A motion was made by Representative Roenbaugh to adopt House Concurrent Resolution 5023 and Senate Concurrent Resolution 1604. Representative Apt seconded and the motion passed. HCR 5023 is urging the United States department of agriculture to modify its definition of busting sod and urging the Congress of the United States to adopt legislation permitting farmers to rotate alfalfa planted on highly erodible land without economic penalty. SCR 1604 is encouraging all agriculturally dependent states to join with the State of Kansas to promote grain products in all nations.

Raney Gilliland explained Senate Bill 304 which provides for the payment of unpaid accounts relating to noxious weeds.

Bev Bradley testified in favor of SB 304 and urged favorable consideration by the committee, Attachment I. She then introduced Evan Swartz of the Shawnee County Weed Association. Mr. Swartz gave a brief testimony in support of SB 304.

A question and answer period followed each testimony.

Representative Wells made a motion to pass Senate Bill 304. Representative Bryant seconded and the motion passed.

Hearings were held on Senate Bill 277 with Raney Gilliland explaining the bill. He stated SB 277 makes similar amendments to the Kansas Wheat Act and to provisions of the statute that create assessments against corn, grain sorghum, soybeans, and wheat. It simply provides that refunds not be issued unless refunds amount to \$5 or more for all four commodities.

Adrian Polansky testified in favor of SB 277 encouraging the committee to be aggressive in helping all producers get the full use of their wheat promotion dollars. Attachment II.

Galen Swenson testified on behalf of SB 277. He stated the Commissions support SB 277 due to the cost and time savings to their program and other state governmental services. Attachment III.

Howard Tice testified in support of Senate Bill 277. Attachment IV.

Wilbur Leonard testified in support of SB 277 stating the Committee of

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,  
room 423-S, Statehouse, at 9:05 a.m./~~p.m.~~<sup>XX</sup> on March 25, 1987

Kansas Farm Organizations believe this bill is just good business, and urge its passage. Attachment V.

Hearings were closed on Senate Bill 277.

The meeting adjourned at 10:00 a.m.

The next meeting of the House Agriculture and Small Business Committee will be Thursday, March 26, 1987, at 9:00 a.m. in Room 423-S.



# Kansas Association of Counties

*Serving Kansas Counties*

212 S.W. Seventh Street, Topeka, Kansas 66603

Phone (913) 233-2271

March 25, 1987

To: Representative Clifford Campbell  
Members House Agriculture Committee

From: Bev Bradley, Legislative Coordinator  
Kansas Association of Counties

Re: SB-304 Providing for the payment of unpaid accounts  
relating to the noxious weed program.

Thank you Mr. Chairman and members of the committee. I am Bev Bradley, representing the Kansas Association of Counties.

SB-304 amends K.S.A. 2-1320 which provides for the collection of noxious weed expenses incurred by counties. It would impose a tax lien on the property if it were subsequently sold. The money collected would be deposited in the Noxious Weed Eradication Fund. In times of frequent agriculture bankruptcy sales there needs to be a way for counties to get paid for work done before the transfer of ownership of the land.

Kansas Association of Counties support SB-304 and urges your favorable consideration.

ATTACHMENT I  
March 25, 1987

Kansas Wheat Commission Testimony on

Senate Bill No. 277

House Ag Committee

March 4, 1987

Chairman Campbell, members of the committee, ladies and gentlemen, I am Adrian Polansky, chairman of the Kansas Wheat Commission and a farmer from Belleville. I would like to offer some thoughts on Senate Bill 277.

The 1986 Legislature passed Senate Bill 762 (Chapter 326-Session Laws of 1986) which requires state agencies to pool their purchases so the State can avoid writing checks for under \$5. Last summer the Division of Accounts and Reports suggested that the commission not refund producers' excise taxes if the checks would be in amounts under \$5. The commission responded that, until ordered otherwise, it was bound by law to refund any excise tax amount demanded by a producer. A compromise was worked out whereby the commission continued refunding the excise tax in any and all amounts until the issue could be addressed by the 1987 Legislature.

An excise tax of four mills per bushel is collected on wheat marketed through commercial channels in the state of Kansas. The tax is levied and assessed to the grower at the time of sale and is shown as a deduction by the first purchaser from the price paid in settlement to the grower. Within one (1) year after any and all sales, the grower may, upon submission of a request,

obtain a refund in the amount of the tax deducted by the first purchaser. Senate Bill 277 will change the Kansas Wheat Act so that a grower may obtain a refund of any such tax only if the refund is for \$5 or more.

The effect of the bill will be to lessen the amount of refund requests to the agency, reduce commission personnel time in dealing with the small refunds, and reduce the cost to the State of writing checks for less than \$5.

Some facts concerning refunds less than \$5:

	Refunds Under \$5.		Total Refund Requests		Percent	
	Amount	No.	Amount	No.	Amount	No.
FY86	\$1,094.02	(352)	\$89,233.60	(2,517)	1.2%	(14%)
FY87 Mid-January 1987	\$ 522.41	(178)	\$35,316.77	(1,177)	1.5%	(15%)

In FY86, 1.2% of the refunded money was in checks under \$5 yet 14% of all refunds were under \$5. In FY87, by mid-January 1987, 1.5% of all refunded money went out in checks under \$5 yet 15% of all refunds were under \$5.

After a 1985 review of commission programs and staffing, the Legislative Division of Post Audit suggested the commission add a part-time assistant for office work of this nature. Due to budgetary restraints, this person was never added even though needed. Therefore, a reduced workload on our present employee will improve her efficiency in other areas and would be welcomed. Thus, the main savings would be in the area of personnel time in dealing with 15% fewer refunds and the savings to the State for

not writing the checks under \$5.

The dollar effect upon the income portion of our budget will be minimal if refunds under \$5 are eliminated. The commission will gain \$900 to possibly \$1,200 in income per year.

One problem with the bill which should be pointed out is the question of fairness. Should someone not receive a refund of their wheat tax because it is less than \$5, while someone else can receive a refund because it is over \$5? One answer to this question is that income tax laws have been changed in recent years to avoid the need to refund small amounts. Also, a producer could pool his/her refund requests whenever possible to come up with a request which would be over \$5. We estimate that pooling will only have a slight effect on the dollar amount of refunds given. For example, in FY86 the commission would probably have kept \$900 to \$1,000 of the \$1,094 refunded, even if people did pool their small under \$5 refund requests.

The commission would especially benefit from passage of the bill due to the resulting savings in personnel time and the State would benefit from the savings in both the time and money it takes to process the refund checks under \$5.

At this time I would like to bring to the committee's attention something we discussed with the Senate Ag Committee and then make a recommendation to the committee. Since the '50s, this state has continually been a leader in wheat promotion. Kansas helped initiate the start-up of Great Plains Wheat, Inc. which later became our one and only international wheat promotion

organization of today, U.S. Wheat Associates. This organization, which has 13 foreign offices, carries out over 300 programs in more than 110 countries around the world.

I had the distinct privilege of serving as chairman of U.S. Wheat Associates last year. In meetings with our major customers I quickly came to realize the overwhelming importance of wheat in the international marketplace. Many countries of the world find that their largest import after oil is wheat. The U.S. is facing extremely stiff competition in the international wheat export market, as all of us in this room fully realize.

This state has been a leader in many other ways over the years. As far back as 1910, a milling program was started which has now blossomed into the famous programs housed in the Department of Grain Science and Industry at Kansas State University. Kansas is now home to the American Institute of Baking, the Food and Feed Grain Institute, the International Grains Program, the U.S.D.A.'s only Grain Marketing Research Laboratory, the Wheat Quality Council and many other wheat-related public and private organizations. My point is that Kansas is indeed the Wheat State for one very special reason besides the fact that we grow more wheat than any other state in the nation. It is because of our leadership role in the national and international wheat industry.

As a leader, other states look to Kansas for direction. Other states are now adapting research and promotion ideas developed in Kansas to their special needs. Other states are



proving their commitment to finding markets for wheat by putting their producer dollars to work. I said Kansas is the Wheat State but a recent survey of the 15 other wheat commissions uncovered some disturbing facts which would lead one to believe Kansas is wanting to give up its leadership role.

The survey indicated that the Kansas Wheat Commission pays a much larger share of its collections to the general fund than any other commission in the nation, is one of only four commissions which do not receive interest on their idle funds, has the longest period of any commission in the nation -one year- in which to obtain a refund of the wheat excise tax, and is only one of two wheat commissions which have had moneys transferred out of their carryover funds by their Legislatures for use on projects not originally in their budgets.

On top of all these problems, the Federal Government is reducing the amount of acres planted to wheat through its various programs and is paying producers with PIK certificates and other means plus the State had a reduced wheat crop last year due to weather problems. The final result is that the commission has reduced its FY87 budget by over 21% from FY86. This drastic reduction meant a large decrease in research and other very necessary wheat promotion programs. The commission will not even be able to maintain this reduced funding level for long if additional revenue is not identified.

Recently, the State of Kansas has made major changes to state laws and initiated new forward thinking policies on behalf

of economic development. Today I encourage this committee and this Legislature to be aggressive in helping all producers get the full use of their wheat promotion dollars.

I recommend that the state amend the wheat act and repeal the section concerning the money which goes to the general fund. Wheat producers realize the State is facing tough economic times and, therefore, I would suggest a phaseout of the commission's general fund payment over an agreed upon time period, say three years. If the phaseout included all four commissions' payment of \$200,000 to the general fund, it could be done on a graduated basis for example: \$25,000 in year one, \$75,000 in year two and \$100,000 in year three. Such a phaseout allows producers to eventually retain their promotion dollars for the originally intended purpose while helping the general fund absorb the reduction over time. The actual phaseout of the wheat commission's general fund payment would also provide recognition and a positive gesture on the part of the Legislature towards the State's wheat producers that 30 years worth of payments totaling over \$3 million was appreciated but has finally come to an end.

The State has exempted the Fish and Game Commission from paying money to the general fund due to the fact that the Fish and Game receives federal matching funds. In each of the past three years the wheat commission has expended an average of \$1.2 million for international market development work. For every \$1 spent, the commission generates an additional \$1.33 in federal funds. These moneys are used by U.S. Wheat Associates to bring

people to visit our state, to buy wheat or equipment in our state or to study at the International Grains Program and American Institute of Baking.

The wheat commission also helps generate matching dollars in foreign countries for use in U.S. Wheat Associates' programs carried out in those countries and in Kansas for research at Kansas State University. The commission is working on a plan to obtain federal dollars for the International Grains Program and is following up on recent information concerning money which is available through federal laboratories. Every business in America knows that customer-building is tough and takes money. Dollars in addition to those contributed by producers can be found for expansion of our market development programs. But first, our commission must retain its producer dollars to match those other dollars.

The State does have administrative costs associated with the wheat commission. In the most recent (1984) cost allocation plan for Kansas, the central service costs allocated to the wheat commission are estimated to be \$12,150. In the past two years the commission paid an average \$130,000 or more above estimated administrative costs. These dollars would have greatly aided the commission's efforts to expand markets if they had been left with the commission and matched with outside money. At the end of a certain time period, if the wheat commission no longer pays 20% moneys to the general fund, it will still be paying all the interest money from its idle fund balance to the general fund.

This interest money will more than pay for the commission's administrative costs and, in fact, will still mean the Kansas Wheat Commission is paying more money to its state general fund than any other wheat commission in the nation.

Recently 16 Kansas farm and agribusiness groups unanimously agreed to a ten-point plan for agriculture's economic survival. The first point was: We believe in providing assistance for Kansas farmers in domestic and international marketing.

We have a big job to do, but Kansas has the most to gain of any state from increased sales of U.S. wheat. Other states, including North Dakota, Oklahoma, Minnesota and even Oregon which only produces 1/7 the wheat of Kansas, are spending as much or more on wheat promotion as we are. Kansas must again take the lead in promoting and protecting our farmers' wheat markets. I ask you to make the necessary changes in law to do this.

Remember the \$1.33 or more of matching money the commission gets for every \$1 it invests ...if it has dollars to invest.

Remember the low costs of state administration of this agency, \$12,150 in FY84.

Remember the plight of the Kansas wheat farmer and the resulting plight of the state's economy. Let's put those farmer dollars to work on wheat promotion. Can any of us in good faith justify not doing absolutely everything needed in the Wheat State to get the job done?

Mr. Chairman and Committee members, thank you for allowing the Commodity Commissions to address the issues outlined in SB 277. The bill which relates to refunds made by the four Commodity Commissions would prohibit growers of such grains from obtaining a commodity assessment refund for under \$5.

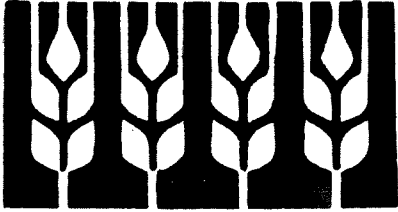
In fiscal year 1986, the Corn, Grain Sorghum, and Soybean Commissions issued 190 individual warrants which were under \$5, or 9.5% of the total warrants issued (1,989). The total dollars refunded in this category amounted to \$593. It should be noted that the language in SB 277 does not clarify whether single refunds or multiple refunds for under \$5 would be affected by such action. Many refund requests included in one mailing have more than one grain transaction with refund requests of less than \$5, however, the total exceeds such amount. The question posed is whether each grain transaction with assessment deduction comprises a refund request, or if a multiple request should be subject to this proviso.

Undoubtedly, the increased revenue is marginal, however, the administrative cost savings to process such warrants would be of great significance. It is estimated by representatives of the Division of Accounts and Reports, that each warrant has a processing cost of \$7-\$20.

The Commissions support SB 277 due to the cost and time savings to their program and other state governmental services. Mr. Chairman, I would be happy to answer any questions. Thank you.

Submitted by: Mr. Galen Swenson, Administrator  
Corn, Grain Sorghum, Soybean Commissions

**KANSAS ASSOCIATION  
OF WHEAT GROWERS**



TESTIMONY

SENATE BILL 277

House Committee on Agriculture and Small Business  
Representative Clifford Campbell, Chairman

Submitted by Howard W. Tice, Executive Director

On behalf of the members of the Kansas Association of Wheat Growers, I appreciate this opportunity to offer testimony in support of Senate Bill 277.

This bill merely brings the grain commissions under the criteria of other state agencies, in recognition of the cost of processing small refunds. The general feeling of the majority of our members is that all wheat producers should gladly pay their fair share of the cost of promoting their product, whether the money be used for direct sales promotion efforts, or research into ways to improve the product and make it more competitive, or ways to market our grain more efficiently and fairly.

I would like to offer an amendment to the bill which, I believe, takes the effort to make the best use of these checkoff funds, just another step further. Our amendment would add a new section 3, which adds the statutory language from KSA 1986 Supplement 75-3170a, to the bill, and changes the \$200,000 cap figure on grain commission funds withheld by the state, to \$50,000.

When the Kansas Wheat Commission came into being, in 1957, 20% of the funds paid by producers was withheld by the state, to cover the cost of administering the commission. When the other three commissions were created, the same 20% was withheld from their funds. While many felt this was justified, at the outset, since no one really knew how well the idea would go over, and how many refunds would be requested, the 20% quickly grew to an amount far in excess of actual administrative costs.

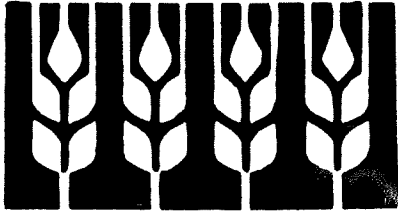
In 1979, when the wheat mill levy was increased to 3 mills, a cap was placed on the Wheat Commission fund administrative withholding, of \$200,000, with the other commissions starting out with caps of \$200,000. In 1982, when the mill levy was increased to 4 mills, the cap of \$200,000 was changed to include all four commissions, and split up according to a percentage of the total funds received by each individual commission.

Since the Kansas Wheat Commission was formed, 30 years ago, efforts have been made regularly to get this administrative withholding reduced to a figure that accurately reflects administrative costs, or to have it removed entirely, since the interest on the commissions' idle funds is also in excess of administrative costs, which today, are approximately \$25,000 per year for all four commissions combined.

We have been given several reasons over the years, for not removing what amounts to double taxation on grain producers. We have been told that the state is in too much of a financial bind, to take this amount from the general fund; however, in those years when the general fund has been more than adequate to provide needed and desired services, and continue a healthy balance, this inequity has still not been removed. We have been told that such a move would cause all other fee fund agencies to request similar changes. We have even been told that this is a tax, and the state simply cannot remove this tax for one segment of the economy.

While the statutes identify the checkoffs as "excise taxes," by actual definition, since the moneys collected can be refunded to producers who turn in a simple form, they are voluntary contributions for the purpose of research and market promotion. While the agencies are classified as "fee fund" agencies, they do not provide a service in exchange for a fee, so by definition, they are not fee fund agencies. I would point out that the statutes recognize this, in that rather than considering the commissions under the fee fund statute for this administrative cost withholding, separate statutes had to be written.

**KANSAS ASSOCIATION  
OF WHEAT GROWERS**



TESTIMONY

SENATE BILL 277

Page 2 of 2

In reply to the excuse that the action we are requesting would "open the door for all the other agencies to request the same treatment," I would note that the Kansas Fish and Game Commission is already an exception. In fact, as I understand, they have never paid a dime into the general fund for administrative cost. They are definitely a fee fund agency, but they escape this statute because they receive federal matching funds, and if they pay a portion of their fees into the general fund, they would lose those matching funds, at least on that portion paid to the state.

The grain commissions also receive matching funds from the federal government. In fact, each dollar invested in such a program generates at least \$1.33 in federal money, and often as much as \$1.95 additional. In effect, these dollars are tripled. When invested in programs such as U.S. Wheat Associates, the returns are staggering. Some have indicated a 7 to 1 return, which makes each Kansas dollar worth as much as \$21.00. However, that 7 to 1 return estimate may be quite conservative.

To cite a very recent example, U.S. Wheat Associates, which has an annual budget of \$9 Million, was one of the most important figures in arranging Hard Red Winter Wheat sales to China, Poland and Iraq, amounting to \$113 Million. In the case of Iraq, they not only took personal responsibility for conducting buyers around Washington, D.C., and helping to find credit in excess of Iraq's expectations, they were working with that county's people even before diplomatic relations between the U.S. and Iraq were restored, thereby paving the way for good relations, and grain sales at the same time.

There is no way that these checkoff funds can be multiplied so dramatically when they are simply placed in the general fund. For that reason alone, this money should be kept by the commissions, and used to generate the maximum in economic benefit for Kansas.

However, that is not the only reason. Since 1958, the Kansas Wheat Commission alone has paid \$3,326,759 into the general fund for "administrative" costs. Using the 1984 audit figure of \$12,150 for actual administrative costs for the Kansas Wheat Commission, the Wheat Commission has contributed enough money to the general fund to pay administrative costs for 274 years. We think it is high time the State Legislature responded to the wording of the statutes. We think it is time for the amount of money collected from the commissions for administrative costs, to be adjusted to reflect actual costs.

In conclusion, I would add that the farmers of Kansas are not trying to escape paying their share of the cost of getting the state's budget back into the black. I personally feel that our members have certainly paid this in advance, but I won't dwell on that. With this year's budget problems in mind, and in response to suggestions from many responsible legislators, not to ask for our amendment to be passed this year, with an effective date of 1988, we would support removal of this general fund contribution in stages.

KANSAS WHEAT COMMISSION BUDGET PROJECTION

	FY86	FY 87	FY 88	FY89
Beginning Balance	\$ 806,532	\$ 596,729	\$ 239,499	\$ 203,349
Farmer contributions	1,601,776	1,100,000	1,420,000	1,420,000
Other income	5,187	5,800	7,000	6,000
Totals	\$2,413,495	\$1,702,529	\$1,666,449	\$1,629,349
Budget	1,605,537	1,300,000	1,285,000	1,385,000
To General Fund	121,560	102,580	100,000	100,000
Refunds	89,699	60,500	78,100	80,000
Total Disbursements	1,816,766	1,463,080	1,463,100	1,565,000
Ending Balance	596,729	239,449	203,349	65,349

WHEAT PRODUCTION & KWC INCOME

FY	Production in bushels	Checkoff Income	KWC Fund	To General Fund
1958	100,111,000	\$ 180,710	\$ 145,252	\$ 35,458
1959	297,340,000	546,892	438,276	108,616
1960	211,744,000	404,443	325,478	78,965
1961	294,376,000	543,028	435,291	107,736
1962	273,718,000	515,971	413,827	102,144
1963	211,171,000	403,112	323,158	79,953
1964	185,480,000	350,474	281,281	69,194
1965	208,780,000	371,733	298,165	73,608
1966	236,386,000	445,268	357,110	88,158
1967	200,070,000	316,821	253,960	62,860
1968	221,620,000	427,845	343,277	84,568
1969	253,526,000	473,947	380,276	93,671
1970	305,319,000	555,511	446,382	109,129
1971	299,013,000	556,927	447,647	109,279
1972	312,605,000	566,951	438,442	128,509
1973	314,900,000	598,541	478,832	119,708
1974	384,800,000	660,582	528,706	132,146
1975	319,000,000	521,096	416,876	103,219
1976	350,900,000	601,188	480,951	120,238
1977	339,000,000	693,433	554,747	138,687
1978	344,840,000	825,196	660,712	164,485
1979	300,000,000	673,649	545,940	127,708
	Mill Levy increased to 3 mills			
1980	410,400,000	1,105,781	905,781	200,000
1981	420,000,000	1,212,540	1,012,540	200,000
1982	302,500,000	1,064,011	864,011	200,000
	Mill Levy increased to 4 mills			
1983	458,500,000	1,665,504	1,553,964	111,540
1984	448,200,000	1,762,985	1,645,065	117,920
1985	431,200,000	1,520,354	1,382,654	137,700
1986	433,200,000	1,601,331	1,479,971	121,560
1987				102,580

Total paid to general fund since FY 1958 \$3,326,759



Committee of . . .

# Kansas Farm Organizations

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Topeka, Kansas 66612  
TEL 234-9036

TESTIMONY IN SUPPORT OF SB NO. 277

Before the House Committee on  
Agriculture and Small Business

March 25, 1987

Mr. Chairman and Members of the Committee:

I am Wilbur Leonard, legislative agent for the Committee of Kansas Farm Organizations, appearing before you today in support of Senate Bill No. 277. For our 22 farm associations I wish to express our appreciation for this opportunity to make known our views on this measure.

There are probably few bills before the legislature which have a more singular purpose than does Senate Bill No. 277. It would put a floor of \$5 on refunds from the grain excise tax funds. It costs as much for the commissions to issue a refund check for \$4.99 as one for several hundred dollars. Further, while the amount of the excise tax which would be retained is small and the grain commissions do not benefit substantially by retaining these tax funds, they would effect material savings in manpower, record-keeping, check writing and mailing costs.

Also, it should be noted that the state has set the minimum amount of individual income tax refunds at \$5.

Simply stated, we believe this bill is just good business, and we urge its passage.

ATTACHMENT V  
March 25, 1987