

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Joann Flower at 9:00 a.m. on March 19, 1997, in Room 423-S of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research Department
Gordon Self, Revisor of Statutes
Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Gary Bothwell, Director, Kansas State Grain Inspection Department
Senator Pat Ranson
Bill Fuller, Associate Director, Public Affairs Division, Kansas Farm Bureau
Joe Lieber, Executive Vice President, Kansas Cooperative Council
Pat Hubbell, Kansas Railroads
Roger Pine, Pine Family Farms, past member, Kansas Grain Advisory Commission (written only)
Anthony Hernandez, employee, Kansas State Grain Inspection Department

Others attending: See attached list

Continuation of Hearing on Sub. SB 317 - Abolishing the Kansas grain inspection department, transferring the power and duties thereof concerning public warehouses to the department of agriculture.

Gary Bothwell, Director, Kansas State Grain Inspection Department, appeared in support of **Sub. SB 317**. He reminded the committee that the warehouse division is regulatory, while the inspection division is permissive and only done on request. He said that grain inspection is a business and must be operated as such. He outlined problems involving state purchasing requirements and state employee restrictions. He reported that employees have been verbally assured they will have jobs with the new entity, with comparable pay and benefits. Upon questioning, he said the estimated value of the used equipment to be transferred to the new entity is \$225,000, although on the inventory filed with the state it is valued in excess of \$800,000, original cost. (Attachment 1)

Senator Pat Ranson testified in support of **Sub. SB 317**. She advised that the 1994 Legislature by SCR 1626 established the Kansas Council on Privatization, a 15-member council with membership from both the public and private sector. The council was charged with making recommendations to the Governor and Legislature that would increase the efficiency and effectiveness of state government, strengthen the role of the private sector, and lead to cost savings and reduce the tax burden of Kansas citizens. She served as vice-chair of the council. She reported that the Kansas State Grain Inspection Department was recommended for possible privatization. (Attachment 2)

Bill Fuller, Associate Director, Public Affairs Division, Kansas Farm Bureau, expressed the views of Farm Bureau members concerning **Sub. SB 317**. He reported that Farm Bureau policy fully supports the continuation of an effective and adequately funded state warehouse program that requires licensing and bonding of all commercial elevators and grain warehouses in Kansas. He explained that with the transfer of funds as stated in the bill providing the opportunity to continue an effective warehouse program for a number of years without the need for fee increases or state general fund revenues, this would be the time to transfer this responsibility to the Kansas Department of Agriculture. He said that Farm Bureau policy supports the concept of privatization; however, before they can fully support the grain inspection provisions of the bill, they would need a more thorough understanding of the impacts and more information in the following areas: efficiency, competition, and benefits to agricultural producers. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 9:00 a.m. on March 19, 1997.

Joe Lieber, Executive Vice President, Kansas Cooperative Council, testified in support of Sub. SB 317. He noted that the warehouse division, which protects the producers' interests, would still be a government entity. He said the council believes many areas of government should be privatized and outlined the various reasons the grain inspection division is one of them. He reported that the council's members feel it is important that all eight inspection stations that are currently in operation remain open and that the same level of service now offered the grain industry will be maintained. (Attachment4)

Pat Hubbell, representing Kansas railroads, spoke in support of Sub. SB 317. He said grain exports are very important to the railroads as 41 percent of rail traffic that leaves the state is grain or agricultural products. He discussed the tremendous changes in how grain is handled within the industry. He talked about streamlining -- elimination of inspection track, fewer crewmen, etc. -- that has taken place in the industry and the consequences of delays. He said the key to profits in the railroad business is car utilization, they need to keep cars in transit and moving at all times. He believes passage of this legislation would be an advantage to the railroads. (Attachment5)

Roger C. Pine, Pine Family Farms, past member of the Kansas Grain Advisory Commission, submitted written testimony in support of Sub. SB 317. He stated that transferring the warehouse division to the Kansas Department of Agriculture will provide both the credibility and efficiency needed for this program. He noted that privatization of the grain inspection division will provide the freedom and flexibility necessary to respond to the rapidly changing needs of the farmers and grain handlers who depend on this service. (Attachment6)

Anthony Hernandez, a 19-year employee of the Kansas State Grain Inspection Department, representing himself and about half of the employees at the Salina station, appeared in opposition to Sub. SB 317. He said employees of the department are afraid of losing their jobs; although they have been given verbal promises, nothing has been put in writing. He said that long-time faithful employees would like to see two things added to the bill which would protect the displaced workers:

- 1) All employees will be hired by the new entity (regardless of who that is) at their current pay and with comparable benefits.
- 2) If downsizing or lay-offs occur, seniority with the Kansas State Grain Inspection Department would be the criteria for determining who would be laid off.

Mr. Hernandez said he personally feels the bill will not benefit the state, and asked the following questions: was the PERM analysis of the Kansas State Grain Inspection Department as it relates to the inspection division based on a flawed report; who will benefit by privatization; and what provisions have been made should the private sector fail? (Attachment7)

This concluded the hearing on Sub. SB 317. The Chair appointed a subcommittee comprised of Representative Flower, Representative Ballou, and Representative Weiland to further study the issues involved and report back to the full committee.

The meeting adjourned at 11:00 a.m. The next meeting is scheduled for March 20, 1997.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: 3/19/97

| NAME | REPRESENTING |
|----------------------|-------------------------------|
| Joe Liebow | KS Co-op Council |
| Casey Mc Ginnis | Kansas Grain & Feed Assoc |
| Marty Vanier | KS Ag Alliance |
| Doug Wareham | Ks. Grain & Feed Assn. |
| Alli Davine | Ks. Dept. of Agriculture |
| Cindy Danton | Div of Budget |
| Jim Allen | KC & FA |
| Mary Jane Stattelman | KS Dept of Agriculture |
| Ken Scheitmer | KS Grain Insp. Dept. |
| Becky Fleming | Ks Grain Inspection Dept. |
| Thomas E. Meyer | " " " " |
| Gary M. Rothwell | " " " " |
| Harwin R. Webb | Webb & Associates + Assoc |
| Kathleen Sorensen | KS Grain Bureau |
| Mike Jensen | KS Pork Council |
| Tom Bruno | Allen & Assoc. |
| Anthony Hernandez | Self & Other KSGIDE Employees |
| Sherry Hernandez | none today. |
| Pat Hubbell | KS RR's |

TESTIMONY OF
GARY M. BOTHWELL, DIRECTOR
KANSAS STATE GRAIN INSPECTION DEPARTMENT

PRESENTED TO
HOUSE AGRICULTURE COMMITTEE
REPRESENTATIVE JOANN FLOWER, CHAIRPERSON

MARCH 18, 1997

*House Agriculture Committee
March 19, 1997
Attachment 1*

**REPRESENTATIVE JOANN FLOWER - CHAIRPERSON
HOUSE AGRICULTURE COMMITTEE**

I AM GARY BOTHWELL, DIRECTOR OF THE KANSAS STATE GRAIN INSPECTION DEPARTMENT. THE GRAIN INSPECTION DEPARTMENT CONSISTS OF TWO DIVISIONS: THE INSPECTION DIVISION AND THE WAREHOUSE DIVISION.

THE WAREHOUSE DIVISION IS REGULATORY. IT EXAMINES AND AUDITS STATE LICENSED ELEVATORS TO SEE THAT THEY HAVE THE AMOUNT OF GRAIN THEIR RECORDS SHOW THEY HAVE. THEY CHECK RECORDS AND MEASURE FACILITIES TO ENSURE PRODUCERS THE GRAIN THEY HAVE STORED AT THE ELEVATOR IS THERE. THE WAREHOUSE EXAMINER DUTIES ARE SIMILAR TO A BANK EXAMINER: GRAIN IS DEPOSITED IN THE ELEVATOR IN THE SAME MANNER CITIZENS DEPOSIT THEIR PAYCHECK IN A BANK.

THE INSPECTION DIVISION SAMPLES, WEIGHS AND GRADES GRAIN AS A DISINTERESTED PARTY BETWEEN THE BUYER AND SELLER. THIS IS DONE UNDER THE DESIGNATION OF USDA'S FEDERAL GRAIN INSPECTION SERVICE. IT IS A PERMISSIVE ACT AND IS ONLY DONE ON REQUEST.

GRAIN INSPECTION IS A BUSINESS AND MUST BE OPERATED AS SUCH. IN THE PAST, IT WAS AN 8 HOUR DAY, 40 HOUR WEEK JOB. WEEKENDS WERE WORKED ONLY DURING HARVEST. HOWEVER, THE GRAIN INDUSTRY HAS CHANGED DRAMATICALLY IN THE PAST DECADE. NOW GRAIN INSPECTION IS A 7 DAY A WEEK, 24 HOUR A DAY BUSINESS.

THE RAILROADS SET 100 CARS AT AN ELEVATOR AND GIVE THE ELEVATOR ONLY 12 TO 14 HOURS TO LOAD AND BILL THEM. ELEVATORS CALL OUR STAFF OUT AT ALL HOURS OF THE NIGHT AND ON WEEKENDS TO GRADE THEIR GRAIN TO MEET THE REQUIREMENTS OF THE RAILROADS..

GIVEN THE CHANGES IN THE GRAIN INDUSTRY, THERE ARE SEVERAL PITFALLS TO BEING A STATE AGENCY.

FOR INSTANCE, WHEN WE WERE NOTIFIED THE *TECATOR* NIRT INSTRUMENT TO ANALYZE PROTEIN CONTENT WAS APPROVED BY FGIS, THE VENDOR CALLED ALL INSPECTION AGENCIES OFFERING TO SELL THEM FOR \$23,000 EACH. WE COULD NOT PUT IN AN ORDER SINCE THE EXPENDITURE WAS NOT IN OUR BUDGET. BY THE TIME WE WENT THROUGH THE SYSTEM, THEY COST US \$28,000 EACH. WE PURCHASED NINE AT AN ADDITIONAL COST OF \$45,000.

MEETING STATE PURCHASING REQUIREMENTS HAS ALSO CAUSED SOME PROBLEMS. WE NEEDED TO ENHANCE OUR SPECIALIZED SOFTWARE PROGRAM. OUR PRESENT VENDOR OFFERED TO DO IT FOR \$11,000. WE COULD PAY FOR IT MONTHLY IF NEEDED. WE WERE REQUIRED TO GO THROUGH PURCHASING AND A 50 PAGE BID SPECIFICATION. WE ENDED UP PAYING THE SAME VENDOR \$18,750.

ALSO, WHEN WE PURCHASED COMPUTERS, THE SAME VENDOR OFFERED TO SELL US THE HARDWARE, LOAD THE SOFTWARE, AND DELIVER THEM FOR \$1490 EACH. HOWEVER, WE WERE REQUIRED TO PURCHASE FROM THE CONTRACT. WE PAID \$1589 EACH AND LOADED THE SOFTWARE AND DELIVERED THEM OURSELVES.

STATE HOLIDAYS ALSO CAUSE PROBLEMS MEETING THE ELEVATORS LOADING SCHEDULE. THE STATE RECOGNIZES HOLIDAYS ELEVATORS DO NOT. THE ELEVATORS WORK AND WE HAVE TO PAY DOUBLE TIME AND A HALF. ON THE OTHER SIDE OF THE COIN, THE ELEVATORS RECOGNIZE HOLIDAYS THAT THE STATE DOES NOT. WE CANNOT REQUIRE OUR STAFF TO TAKE VACATION LEAVE DURING THIS TIME.

RESPONDING TO BUSINESS VOLUME IS ANOTHER AREA OF CONCERN. IF BUSINESS IS SLACK AND A LAYOFF IS INITIATED, IT TAKES IN EXCESS OF 45 DAYS TO COMPLETE. FURTHER REGULATIONS HAVE MADE IT SO THAT IF WE HAVE A DIRECT ENTRY EMPLOYEE RESIGN, WE HAVE TO POST IT ON THE VACANCY LIST FOR 2 WEEKS, AND THEN HAVE INTERVIEW TIME AFTER THAT. IT SLOWS THE PROCESS OF FILLING VACANCIES DURING PERIODS WHEN STAFF IS NEEDED.

ALL OF THE ABOVE HINDER OPERATING A BUSINESS THAT NEEDS TO BE RESPONSIVE TO THE NEEDS OF ITS CUSTOMERS.

KANSAS SENATE

SENATOR PAT RANSON
DISTRICT TWENTY-FIVE
SEDGWICK COUNTY
3031 W. BENJAMIN CT.
WICHITA, KS 67204
(316) 838-3066



ASSISTANT MAJORITY LEADER/WHIP
STATE CAPITOL, 136-N
TOPEKA, KANSAS 66612-1504
(913) 296-7391

COMMITTEE ASSIGNMENTS
CHAIR: UTILITIES
JOINT COMMITTEE ON ECONOMIC
DEVELOPMENT
VICE-CHAIR: COMMERCE
INTERSTATE COOPERATION
MEMBER: WAYS AND MEANS
LEGISLATIVE POST AUDIT
CLIENT PROTECTION FUND
COMMISSION

TESTIMONY PREPARED FOR HOUSE. AGRICULTURE COMMITTEE
RE: SB 317
March 19, 1997

The 1994 legislature by Senate Concurrent Resolution No. 1626 established the Kansas Council on Privatization which was a 15 member council with a membership of appointees from the public and private sector. The council was charged with making recommendations to the Governor and the Legislature that would increase the efficiency and effectiveness of state government, strengthen the role of the private sector, and lead to cost savings and reduce the tax burden of Kansas citizens. I was an appointment of the President of the Senate and was vice-chair of the Council.

A specific responsibility of the council was to identify and study governmental activities that may be in competition with the private sector. A Council committee on "Targeted Opportunities" was charged with the task of identifying services and functions now performed by Kansas state government agencies that would be likely candidates for privatization. The Committee reviewed a number of services that have been privatized by other states. The Council also developed an analysis process called PERM-Privatize, Eliminate, Retain or Modify-to determine if a service is a viable candidate for privatization.

The Committee recommended the Grain Inspection Department as a candidate for PERM analysis based on the following information: Kansas has a long history of state involvement in grain inspection. The state's role began in 1897 and continues today. According to Privatization Council data, Kansas is one of only several states where grain inspection remains a public function. Most other states with grain inspection oversight have already turned this function over to the private sector. All U.S. grain inspectors, whether public or private, operate under U.S. Department of Agriculture regulation.

*House Agriculture Committee
March 19, 1997
Attachment 2*

Currently, grain inspection is privatized in most of the country. Kansas might save money without jeopardizing performance by eliminating the state's direct involvement in this function. The state should consider an analysis to determine if privatization is a viable option.

Senate Bill 317 is a proposal to begin the process of abolishing the Kansas state grain inspection department and transferring the powers, duties and functions concerning grain inspection to the Kansas Secretary of Agriculture who in turn may contract out whatever services are necessary.

I recommend that the Committee give serious consideration to the proposal presented in Senate Bill 317.

Thank You.



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON AGRICULTURE

RE: Sub. SB 317 - Abolishes the Kansas State Grain Inspection Department, transfers the Warehouse Division to Department of Agriculture and authorizes privatization of the functions now provided by the Grain Inspection Division.

**March 18, 1997
Topeka, Kansas**

**Presented by:
Bill R. Fuller, Associate Director
Public Affairs Division
Kansas Farm Bureau**

Representative Flower and members of the House Committee on Agriculture, I am Bill Fuller, Associate Director of the Public Affairs Division for Kansas Farm Bureau.

We certainly appreciate this opportunity to express the views of the Farm Bureau members on Sub. SB 317. The bill abolishes the Kansas State Grain Inspection Department, transfers the Warehouse Division to the Department of Agriculture and authorizes privatization of the service now provided by the Grain Inspection Division.

A section of Kansas Farm Bureau policy, developed by the farm and ranch members of the 105 county Farm Bureaus and adopted at the 78th Annual Meeting of KFB states, **"We support the continuation of an effective and adequately funded state warehouse program that requires licensing and bonding of all commercial elevators and grain warehouses in Kansas."**

*House Agriculture Committee
March 19, 1997
Attachment 3*

The complete resolution adopted by the Voting Delegates at the 78th Annual Meeting of KFB is attached to this statement.

The Warehouse Division has been under financial pressure for a number of years. Fees have been raised several times. Since 1993, federal law prohibits the revenue reserves from the Inspection Division from being used to supplement Warehouse Division revenue shortfalls.

However, under the proposed reorganization in Sub. SB 317 as amended and approved by the Senate, it appears some of the revenue surpluses from inspections may follow the warehouse program to the KDA. It seems to us, this will provide the opportunity to continue an effective warehouse program for a number of years without the need for fee increases or the request to infuse SGF revenues.

Financially secure elevators and properly managed grain storage facilities are vital to crop producers. We believe the time has come that the prudent method of preserving a strong state grain warehouse program is to transfer the responsibility to the Kansas Department of Agriculture. Kansas Farm Bureau supports this merger.

We believe the regulatory functions of the Warehouse Division are compatible with the current regulatory responsibilities of the Department of Agriculture. Additionally, we are confident many of the administrative responsibilities of the Warehouse Division can be blended into the KDA. Our comfort level for this consolidation is high because of our respect for and our confidence in the Secretary and the Advisory Board of the Kansas Department of Agriculture.

Farm Bureau members have a long-standing philosophy supporting privatization of appropriate government activities. Current American Farm Bureau Federation policy includes this supporting statement: **"Those government-owned enterprises that could be privatized should be sold to the private sector as a means of providing more efficient service and cost reduction."**

KFB supports the concept of privatizing the Inspection Division. However, before we can fully support the grain inspection provisions of Sub.

SB 317, we need a more thorough understanding of the impacts and more information in the following areas:

- **Efficiency** - What efficiencies can we expect? We recognize privatization will allow quicker responses to industry needs and adoption of new technology, bypass the time consuming legislative process when purchasing needed equipment and managing employees and eliminate the annual \$200,000 contribution to the SGF from inspection fees. Are there other efficiencies that can be gained?
- **Competition** - Will there be competition among private entities wanting to provide the inspection service? We understand the Federal Grain Inspection Service (FGIS) is inviting interested parties, through notice in the Federal Register, to submit bids for providing the new grain inspection service in Kansas. We have the highest respect and confidence in the Kansas Grain and Feed Association. We ask, however, are there other organizations or businesses interested in providing this grain grading service for Kansas?
- **Benefits** - We must be aware of the benefits to agricultural producers, our farm and ranch members. While the overwhelming number of requests for grain grading currently comes from grain elevators and warehouses, we must be assured farmer producers continue to have the opportunity to request and receive grades on a timely basis at an affordable cost?

In closing, we ask you to protect the interests of the grain producers of the State of Kansas as you give careful consideration to Sub. SB 317. We support transferring the Grain Warehouse Division to the Department of Agriculture. We also support the concept of privatizing the functions of the Grain Inspection Division.

Thank You!

Agricultural Commodity Storage

AG-3

A strong state grain warehouse program is important to the financial security of Kansas grain producers to ensure producer grain is safely deposited in a financially stable warehousing operation. We support the continuation of an effective and adequately funded state warehouse program that requires licensing and bonding of all commercial elevators and grain warehouses in Kansas.

We recommend and support legislation to require grain dealers and grain brokerage firms to be bonded or otherwise provide proof of financial responsibility.

Testimony on Sub. SB 317
House Agriculture Committee
March 18, 1997
Prepared by Joe Lieber
Kansas Cooperative Council

Madam Chair and members of the Committee, for the record, I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of nearly 200 cooperative businesses, which have a combined membership of 200,000 Kansans. Approximately 130 of our members handle grain for their member/owners.

The Kansas Cooperative Council supports Sub. SB 317 for the following reasons:

1. There are many areas of the government that should and can be privatized. We feel the Grain Inspection Division is one of them.
2. Privatization of grain inspection will save the industry money.
3. The warehouse division, which protects the producer's interest, would still be a government entity and will be in the Department of Agriculture.
4. The private inspection entity must be designated as an official agency of the USDA Grain Inspection Packers and Stockyards Administration.
5. The new private entity will be a trust and the trustees will be comprised of individuals representing banking, attorneys and academia.
6. It is my understanding that Secretary of Agriculture Allie Devine is supportive of Sub. SB 317.
7. The current Grain Advisory Commission is supportive of Sub. SB 317.

*House Agriculture Committee
March 19, 1997
Attachment 4*

The Council's members feel it is important that all eight inspection stations that are currently in operation remain open and the same level of service now offered the grain industry will be maintained. It is our understanding that this service will be provided, therefore we support the passage of Sub. SB 317.

I will be happy to attempt to answer any questions.

Kansas



Key 1995 Railroad Statistics and Rank Among the States

| | | |
|---|---------------|------|
| Number of Railroads | 17 | 20th |
| Total Rail Miles | 5,621 | 4th |
| Rail Carloads Handled | 4,149,629 | 7th |
| Total Tons Carried by Rail | 241,917,121 | 8th |
| Total Railroad Employment | 6,962 | 11th |
| Total Wages of Rail Employees | \$347,398,000 | 8th |
| Average Wages Per Rail Employee | \$49,899 | — |
| Average Fringe Benefits Per Rail Employee | \$18,780 | — |
| Railroad Retirement Beneficiaries | 17,700 | 15th |
| Payments to Railroad Retirement Beneficiaries | \$190,212,000 | 14th |

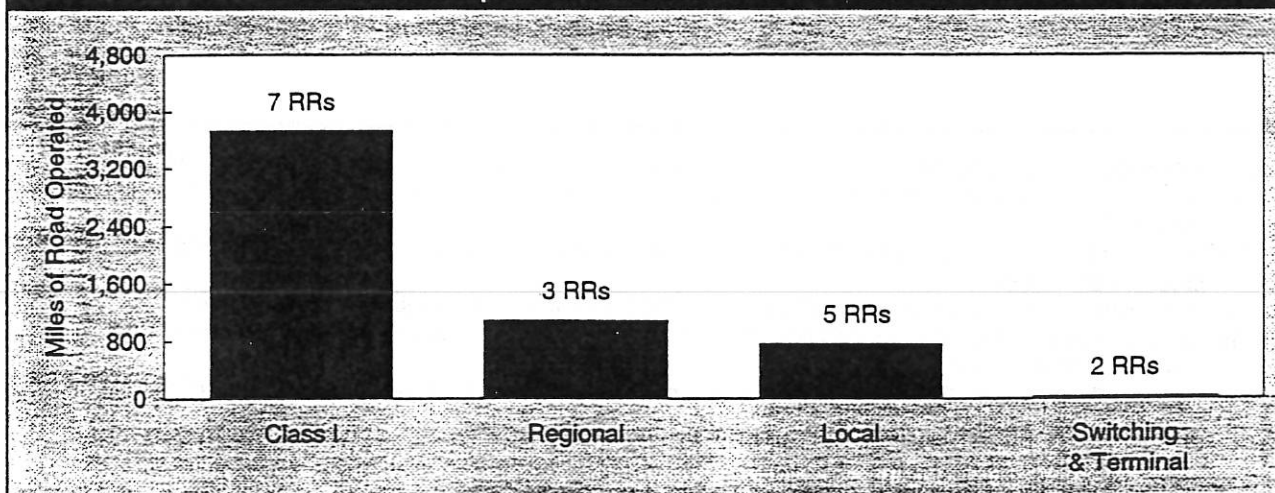
1995 Top Commodities: Rail Tonnage Originated Within State and Percent of State Total

| | | |
|---------------|------------|-----|
| Farm Products | 12,096,691 | 41% |
| Food Products | 5,110,228 | 17% |
| Coal | 4,968,029 | 17% |
| Chemicals | 2,246,860 | 8% |
| Mixed Freight | 1,050,360 | 4% |

1995 Top Commodities: Rail Tonnage Terminated Within State and Percent of State Total

| | | |
|----------------------|------------|-----|
| Coal | 19,635,945 | 66% |
| Farm Products | 2,688,898 | 9% |
| Chemicals | 1,702,968 | 6% |
| Nonmetallic Minerals | 1,155,272 | 4% |
| Food Products | 868,328 | 3% |

Miles of Road Operated and Number of Railroads in 1995



Railroads Operating in Kansas

Class I Railroads

Atchison, Topeka & Santa Fe Rwy. Co.
Burlington Northern, Inc.
Kansas City Southern Railway Co.
Norfolk Southern Corp.
Soo Line Railroad Co.
Southern Pacific Lines
Union Pacific Railroad Co.

Switching & Terminal Railroads

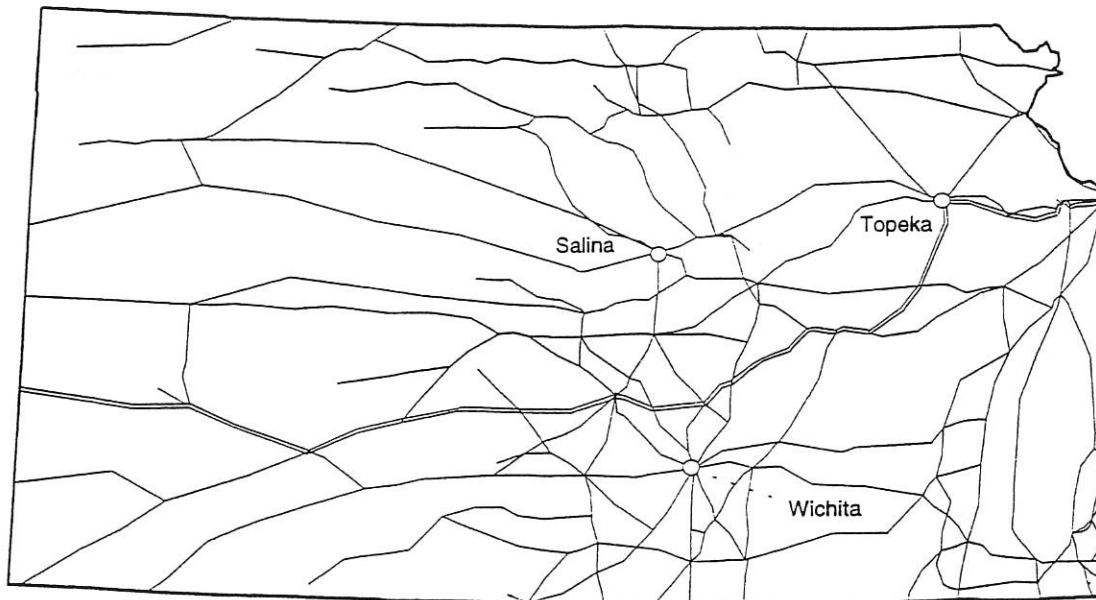
Dodge City, Ford & Bucklin Railroad Co.
Hutchinson & Northern Railway

Local Railroads

Garden City Western Railway
Kansas Southwestern Railway Co.
Northeast Kansas & Missouri Div., Mid-MI
South Kansas & Oklahoma Railroad
Southeast Kansas Railroad Co.

Regional Railroads

Central Kansas Railway
Kyle Railroad
Missouri & Northern Arkansas Railroad



— Freight Routes
= Freight Routes Also Used by Amtrak

Number of Railroads - Those railroads which operated all or a portion of their trackage in the state as of December 31, 1995.

Class I Railroad - As defined by the Surface Transportation Board, a railroad with 1994 operating revenues of at least \$255.9 million.

Regional Railroad - A non-Class I line-haul railroad which operates 350 or more miles of road and/or which has revenues of at least \$40 million.

Local Railroad - A railroad which is neither a Class I nor a Regional Railroad and is engaged primarily in line-haul service.

Switching & Terminal Railroad - A non-Class I railroad engaged primarily in providing switching service and/or terminal services for other railroads.

Carloads Handled/Tons Carried - Rail traffic which originated and/or terminated within the state, or which traversed the state but originated and terminated in other states.

Top Commodities - The five largest (by tonnage terminated and originated) of the 36 two-digit Standard Transportation Commodity Code groupings, and the percentage that commodity represents of all tonnage handled within the state.

Originated Tonnage - Traffic which is placed in railroad service within the state.

Terminated Tonnage - Traffic which concludes transportation by rail within the state.



PINE
FAMILY
FARMS

Roger & Sue Pine, Owners

1783 East 1500 Road
Lawrence, Ks 66044-9305
913-843-6949

March 17, 1997

Dear Representative Joanne Flower:

I appreciate the opportunity to comment on S.B. 317 which transfers the Grain Warehouse Division of the Kansas Grain Inspection Department (KGID) to the Kansas Department of Agriculture and privatizes KGID's Grain Inspection Division. I am an agricultural producer and currently farm just north of Lawrence, Kansas, in the Kansas River Valley. I am a past member of the Governor appointed Kansas Grain Advisory Commission which makes recommendations to the current Kansas Grain Inspection Department (KGID).

On January 17th, the five members of the Kansas Grain Advisory Commission unanimously approved a motion to recommend to the Governor the transfer of the Warehouse Division of KGID to the Kansas Department of Agriculture and the privatization of the Department's Grain Inspection Division. As a member of the Advisory Commission, I would like to explain why we believe this action is vitally important to both the Kansas grain handling industry and the thousands of farmers who depend upon that industry to market their products.

With regards to the transfer of the Grain Warehouse Division to the Kansas Department of Agriculture, I believe this will provide both the credibility and efficiency this vitally important program needs. Since recent action by the Grain Inspection, Packers, Stockyards Administration requires the Grain Warehouse Division to stand alone, I believe the current funding challenges of the Warehouse Division can be more effectively dealt with if the program is administered under the umbrella of administration provided by the Kansas Department of Agriculture.

I would also like to comment on the proposed privatization of KGID's Inspection Division. We are all aware that the grain production industry in Kansas is affected by a number of factors including the weather, transportation limitations, market fluctuations and the harvest rush which annually challenges our industry's ability to harvest, store and transport millions of bushels of grain during a very narrow window of opportunity. These challenges have been amplified by the ever-decreasing number of farmers and grain industry personnel who are tasked with managing a growing level of production in Kansas.

While I believe the Kansas grain industry will continue to be challenged with "doing more with less", I also believe that can only be accomplished if that same industry has the freedom and flexibility to respond to the rapidly changing needs of the farmers and grain handlers who depend on it. By privatizing the Grain Inspection Division of KGID, you will ensure that a new level of service can be developed for the benefit of the Kansas grain industry.

I appreciate the opportunity to share my comments.

Sincerely,

Roger C. Pine
Pine Family Farms

Producers of Traditional and Specialty Crops

House Agriculture Committee
Mail 19, 1997
Attachment 6

Testimony of Anthony Hernandez
before the
House Agriculture Committee

March 19, 1997

First, I would like to thank you for hearing my testimony. I come before you not only as a 19 year employee of the Kansas State Grain Inspection Department, but as a representative for about half of the employees at the Salina station.

Someone once said that fear is born of ignorance and I tell you that we are scared. We are scared because, although we have been given many verbal promises that sound good, when you look at them closely you see that many are rather vague. Whenever asked about continued employment, wages or benefits we can expect, we hear that the employees are the backbone of the agency. Were our questions answered or are we being kept ignorant?

We would like to see something put in writing within the body of Substitute Senate Bill 317 dealing with what we as long-time faithful employees can reasonably expect if this bill is passed. It is our understanding that the Kansas Grain and Feed Dealers Association can't give any guarantees because there is no guarantee they will be awarded the contract. I have two responses to this. First, as they and the State of Kansas are the only two entities currently bidding, it would seem that one or the other of them will be given the contract. I am pleased with my current salary and benefit package, however, and there is only verbal rhetoric to back up promises made regarding jobs, pay and benefits that would be offered by the Kansas Grain and Feed Dealers Association. We'd like to see two things added to the bill which would protect the displaced workers.

- 1.) All employees will be hired by the new entity (regardless of who that is) at their current pay and with comparable benefits.
- 2.) If downsizing or lay-offs occur, seniority with the State Grain Inspection Department would be the criteria for determining who would be laid off.

This would guarantee that whoever gets the contract would be bound by the same agreement.

I personally feel that this bill will not benefit the State. My reasons for this are as follows:

- 1.) Has anyone seen the PERM analysis of the Grain Inspection Department as it relates to the inspection division? If so, was the analysis based on information from the final report of the Kansas Council on Privatization, dated January 20, 1995? I believe this report to be flawed. The grain inspection does not drain \$200,000 annually from the general fund, but rather contributes \$200,000 to general fund. This report also states there are only two states where grain inspection is public; not so.
- 2.) Who will benefit by privatization? The State would lose the current contribution

*House Agriculture Committee
March 19, 1997
Attachment 7*

to the general fund. The employee would lose longevity pay, early retirement option, opportunity to continue participating in KPERs, the representation of KAPE, and the Kan-Elect options that reduce taxes on income designated for medical care. As far as I can see, the only true beneficiary is the industry.

3.) What provisions have been made should the private sector fail?

As Samuel Johnson once said, "The two great movers of the human mind are the desire of good and the fear of evil." I've never considered myself a public speaker, however, the desire for the good of the employees and the State of Kansas and the fear that something evil is being covered up with rhetoric, secrecy and covert intimidation, has brought me here to testify today. This fear has left some employees writing anonymous letters while others question their right as citizens to be heard by the Senate and House of Representatives. I personally believe it has also led to canceled days off, thus prohibiting those who would testify the ability to appear before either committee. I too fear how my actions will affect my future, regardless of whether or not this bill passes.

I thank each of you for allowing me to express my opinions on this bill. I hope you will try to put yourself in the position of myself and others. You know you would want honestly written guarantees rather than vague, unenforceable verbal promises. I ask that you as lawmakers act to protect the innocent employees. It seems many decisions are being made and we have very little control over what happens to us. You can calm our fears by adding a few simple lines to Substitute Senate Bill 317. I am now open for questions.