

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Joann Flower at 9:00 a.m. on March 11, 1998, 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:

Senator Robert Tyson  
Rob Manes, Assistant Secretary - Operations, Department of Wildlife and Parks

Others attending: See attached list

Chairperson Flower asked committee members to review the minutes of March 5 and 10. If there were corrections or additions, members were asked to contact the committee secretary before 5:00 p.m. or they will stand approved as presented.

**Hearing and final action on SB 504 - Accounting for compensation received by the Department of Wildlife and Parks from leases of real property**

Chairperson Flower opened the hearing on **SB 504** and asked Raney Gilliland, Legislative Research Department, to explain the bill for the committee.

Mr. Gilliland stated that **SB 504** addresses the recommendations made by the Legislative Division of Post Audit. He explained that the amendment in Section 1 would require the secretary of the Department of Wildlife and Parks to cause any compensation received from the leases of real property under the control and jurisdiction of the Department to be accounted for and reflected in the budget of the Department. He explained that new Section 2 would require that all agricultural proceeds received by the Department from leases of state-owned property be remitted to the state treasury and credited to the State Agricultural Production Fund; would require the Department to establish separate accounts within the fund for each state-owned property to be used for costs and expenses associated with management practices for each property; and would require that all expenditures from the fund be made in accordance with appropriation acts. He further explained that the amendment in Section 1 would apply to both state and federal lands, while new Section 2 would apply only to proceeds from leases of state-owned property.

Senator Robert Tyson appeared before the committee in support of **SB 504** explaining that this issue was brought to his attention by Richard Larson of McPherson, a copy of his testimony is included. The Senator reported that he found another unusual financial arrangement between the Department and a propane distributing company in McPherson. Testimony from Sharyl Miller, office manager of the propane company, is also included. Included with his testimony is a newspaper article from the Salina Journal dated November 20, 1997, concerning a meeting in Beloit where these state land leases were discussed. Senator Tyson said that he wrote a letter to Governor Graves concerning this issue in December; when he received no reply, he decided to introduce this legislation. Senator Tyson explained that he proposed only the amendment in Section 1 to require the secretary of the Department of Wildlife and Parks to account for any compensation received by the Department from leases of real property under the Department's control and jurisdiction and for such compensation to be reflected in the budget of the Department. He said that new Section 2 was proposed by the Department of Wildlife and Parks. (Attachment 1)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 9:00 a.m. on March 11, 1998.

Rob Manes, Assistant Secretary - Operations, Department of Wildlife and Parks, presented testimony prepared by Steven A. Williams, Secretary, Department of Wildlife and Parks, in support of **SB 504**. He explained that the Senate amendment, new Section 2, to include the creation of a fund in the state treasury in which to properly account for funds earned from agricultural leases was requested by the Department. He said that the amendment complies with the intent of the bill, as introduced, and also concurs with recommendations made by the Legislative Division of Post Audit regarding the proper accounting of compensation received from leases of property managed by the Department. (Attachment 2)

This concluded the hearing on **SB 504**. Vice-Chairperson Ballou opened discussion on the bill.

Representative Correll moved to recommend **SB 504** favorably for passage. Seconded by Representative Dahl, the motion carried.

The meeting adjourned at 9:45 a.m. The next meeting is scheduled for March 17, 1998.

# HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: March 11, 1998

NAME	REPRESENTING
<i>Senator Robert Tyson</i>	
<i>ORVILLE COLE</i>	<i>SEN. TYSON</i>
<i>Judith Cole</i>	<i>Senator Sen. Tyson</i>
<i>ROB MANES</i>	<i>KDWP</i>

ROBERT TYSON  
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TOPEKA

KANSAS SENATE

COUNTIES  
 ANDERSON, BOURBON,  
 FRANKLIN, LINN & MIAMI  
 COMMITTEE ASSIGNMENTS  
 MEMBER: AGRICULTURE  
 ENERGY AND NATURAL RESOURCES  
 TRANSPORTATION AND TOURISM  
 JOINT COMMITTEE ON PENSIONS,  
 INVESTMENTS & BENEFITS

**March 11, 1998**  
**Testimony**  
**House Committee on Agriculture**

Thank You for the opportunity to appear before you today in support of SB 504. This issue of KDWP land lease agreements was first brought to my attention by Richard Larson of McPherson who leased land under this lease agreement. I have included a letter from him at his request.

After visiting with Mr. Larson, I also found an unusual arrangement between KDWP and the gas company that Sharyl Miller works for. Her letter is enclosed.

I have also enclosed my letter explaining these unusual accounting procedures to Governor Graves and a newspaper clipping covering the KDWP commission's Beloit meeting where these leases were discussed.

This practice of KDWP contracting with farmers to grow crops on state-owned property and asking these farmers to deposit the state's share of the crops in the farmer's private bank account with the understanding that the local KDWP employee would give the farmer bills to pay from that private account, is not good government. SB 504 will correct this lack of proper oversight so that Kansas taxpayers will know how their money is spent. I am pleased that the Senate Energy & Natural Resources Committee and the Kansas Department of Wildlife and Parks worked this solution out jointly.

Thank you for your time.

Senator Robert Tyson

*House Agriculture Committee  
 March 11, 1998  
 Attachment 1*

## ROBERT TYSON

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TOPEKA

KANSAS SENATE

## COUNTIES

ANDERSON, BOURBON,  
FRANKLIN, LINN & MIAMI

## COMMITTEE ASSIGNMENTS

MEMBER AGRICULTURE  
ENERGY AND NATURAL RESOURCES  
TRANSPORTATION AND TOURISM  
JOINT COMMITTEE ON PENSIONS,  
INVESTMENTS & BENEFITS

The Honorable Bill Graves  
Governor of Kansas  
2<sup>nd</sup> Floor, State Capitol  
Topeka, Ks 66612-1590

December 1, 1997

*BILL*  
Dear Governor Graves,

We have what appears to be a serious problem with a policy of not reporting State Revenue from grain sales from state-owned property.

KDWP has apparently been contracting with farmers to grow crops on state-owned property and asking farmers to deposit the state's share of the crop in the farmer's private bank account with the understanding that KDWP would give the farmer state bills to pay directly from that private account. This was brought out at the recent KDWP Commission meeting at Beloit by farmers from several areas of the state.

I have enclosed a clipping from the Salina Journal concerning this meeting. You will notice that McPherson County farmer called it a "classic laundering scheme" and a Norton farmer used the term "barter system." I attended the meeting to tell of a similar situation that I had found at McPherson.

In a telephone conversation between my office and a small business employee at McPherson, we were told that a couple years ago KDWP owed the business about \$100. To pay this bill KDWP brought in a check for \$2600 from Mid Ks Coop made out to KDWP. The employee was asked to give KDWP full credit and that KDWP would present bills to be paid from this fund. The employee paid one bill for \$500 and thought that several of the checks they paid were made out to McPherson Valley Wetlands. The employee felt that KDWP was using them as a bank and the next year, when the KDWP representative wanted to deposit more funds the employee refused. The employee said they would look up the canceled checks for us, but we have not heard back nor are we pursuing the matter at this time.

Mr. Don Schroeder, McPherson County Commissioner, recently wrote you a letter asking about the possibility of the state concealing the income of grain sales. In your reply through KDWP, Secretary Steve Williams wrote;

“I assure you Wildlife Area Manager Todd Pesch did act within the Department of Wildlife and Parks (KDWP) regulations, in regard to the handling of funds garnered by the leasing of public lands for agricultural use.”

In my research I find no state regulations giving KDWP authority to generate their own revenue that cannot be openly seen and accounted for by the public and their elected representatives. I only see department guidelines which are approved only by that agency.

To me it is of the utmost importance that we openly account for all of our funds. If government is allowed to generate income that is not seen then it can spend money that has no oversight. There is no accounting and no check and balance. What is wanted by the bureaucrat may not be needed by the taxpayer.

We need to rectify this situation. It may be as simple as establishing state revenue accounts in which all these moneys can be deposited and accounted for. The budget process is meaningless if agencies can raise funds that are invisible to the legislature.

Sincerely,



Robert Tyson

cc: Sen. Stan Clark  
Sen. David Corbin  
Rep. Steve Lloyd  
Rep. Laura McClure

March 11, 1998

TESTIMONY

SB 504

HOUSE AGRICULTURE COMMITTEE

My name is Richard Larson. I live in McPherson, Kansas and am engaged in farming. I lease approximately 45 acres of land in the McPherson Valley Wetlands from Kansas Department of Wildlife and Parks on a crop share basis. In 1997, I delivered the state's share of the wheat crop harvested to a local elevator, Mid-Kansas Coop.

Shortly after harvest, Todd Pesch, KDWP's manager of the McPherson Valley Wetlands, told me he was going to have Mid-Kansas Coop issue a check for the state's share of wheat in my name and asked me to put the money in my personal account. Mr. Pesch sent me a written direction dated July 29, 1997, a copy of which is attached hereto, to pay McPherson Concrete the sum of \$1362.25. After consulting with my accountant, I refused to accept the check for the state's share of wheat or to pay McPherson Concrete any money. We felt this may be a money laundering scheme and I also would be subject to federal, state, and FICA taxes on this money. Depending on my tax brackets, my tax liability would be from 32% to nearly 50% of the money if I would have accepted his direction.

The Mid-Kansas Coop then issued a check payable directly to McPherson Concrete for the state's rental share of the crop harvested. The amount of the state's share was \$1348.49, as shown by the attached service agreement dated August 11, 1997.

I feel KDWP should have their own account rather than running funds through tenants' accounts.



Richard E. Larson

March 11, 1998

TESTIMONY

SB 504

HOUSE AGRICULTURE COMMITTEE

My name is Sharyl Miller. I live in McPherson, Kansas and employed as office manager for a propane distributing company in McPherson. In 1994 or 1995, Todd Pesch, an employee of KDWP, and manager of McPherson Valley Wetlands, came to my office with a check I believe was payable to McPherson Valley Wetlands in the approximate amount of \$2600.00. He asked me to deposit the check to the credit of KDWP. We were only owed about \$100.00 for propane by KDWP but he insisted that he wanted to have a credit with us for the balance of around \$2500.00. I deposited the check and gave KDWP credit on account for the balance. Thereafter, Mr. Pesch came in several times and had me issue checks to several different payees until the credit was all used up. I think he was using us as a bank.

The following year Mr. Pesch came into my office with the same proposition of depositing a check in an amount larger than what KDWP's balance was. I refused to accept the check.

Sharyl Miller

A handwritten signature in cursive script that reads "Sharyl Miller".



▼ KANSAS DEPARTMENT OF WILDLIFE AND PARKS

# Farmers complain of state's land-lease policy

Farmers don't want to hold state's share of money and pay state's share of bills

By LINDA MOWERY-DENNING  
The Salina Journal

BELOIT — Norton farmer John Miller called the Kansas Department of Wildlife and Parks method of agricultural land lease "a barter system."

McPherson County farmer Richard Larson compared it to a "classic laundering scheme."

Criticism of Wildlife and Parks' accounting methods came Wednesday during a meeting in Beloit of the seven-member commission that advises and sets regulations for the department. About 100 attended.

The farmers, during a public comment period, described situations where they were asked to keep the department's one-third share of crop revenue from public

land. Then when a department bill came due or when supplies were needed, Wildlife and Park personnel instructed the farmers to make payment from their accounts. The farmers also were responsible for the income on the department's share of the grain.

"I'm just asking this commission to set up some kind of account so I don't have to run it through mine," said Larson, who leases 45 acres in the McPherson Valley Wetlands and who rejected the method of payment.

State Sen. Robert Tyson, R-Parker, said the issue was one of accountability and especially important in light of a proposed \$10 million capital improvement request that is to be before the Legislature next year.

Gov. Bill Graves has said he would support the funding, which is earmarked for restoration of the state's 24 parks.

Tyson said the lease money is being spent in a way "not visible to the public." In response, department Secretary Steve Williams said farmers who leased land

from his agency have several options, including repayment with goods or services. He said such arrangements are made to invest earnings from public land back into local areas.

At one point, commission Chairman John Dykes expressed concerns about the tone of the comments and suggested the speakers might be better of taking their complaints to the Kansas attorney general.

That drew another response from Williams, who said he was aware of Larson's situation but no others. Williams asked for time to investigate their concerns.

"It's my responsibility. If I fail in that responsibility, by all means, it should go somewhere else," he said.

Commissioners instructed Williams to give a report explaining the department's farm lease regulations at its next meeting in January.

**Other business**

In other business:

• Commissioners instructed department officials to move ahead with plans to raise cabin-lot fees at Cedar Bluff, Webster and Lovewell reservoirs in north-central and northwest Kansas from \$100 to \$200 a year.

This issue, which has been debated for more than a year, could face final action at the commission's March meeting.

About half a dozen private cabin owners spoke for an hour Wednesday. They complained about public access to their cabin areas and other concerns. Williams read parts of the Nov. 6 letter to cabin owners at Cedar Bluff, in which department officials promised to address their concerns by making other areas more attractive to the public, thus discouraging use of the cabin areas.

However, commissioner Dykes warned "this will never be a gated community. It's public land."

The 167 lots in question — the majority of them at Cedar Bluff in Trego County —

are owned by the federal Bureau of Reclamation and leased to the state, which in turn leases the land to the cabin owners.

Holders of the early contracts pay as little as \$18.50 a year for use of the land.

• Williams said the department, because of its interest in establishing minimum fish, wildlife and recreation pool levels at western Kansas reservoirs, has applied to the state for water rights in Glen Elder Reservoir, west of Beloit.

He said there is potential for 214,000 acre-feet of storage to become available in the next two years. Department officials, at the urging of the state, have written to the reservoir's owner, the Bureau of Reclamation, to confirm the federal agency's interest in selling the storage.

In 1993, Wildlife and Parks and the Kansas Water Office acquired 163,000 acre feet of water storage in Cedar Bluff Reservoir at a cost of \$365,424.

Additional funds of \$153,000 have been spent to date for operation and maintenance.

▼ LEGISLATURE

## Computer plans upset legislators

Lawmakers don't think state agencies working together on technology

By CAROL CRUPPER  
Harris News Service

TOPEKA — As Kansas travels the information superhighway, state lawmakers want to make sure it's a smooth, cost-effective trip.

On Wednesday, some felt a bump.

Members of the Joint Commission on Governmental

Rep. Jim Morrison, R-Colby and chairman of the panel, said its purpose is to "keep the agencies honest and avoid duplication."

Rep. Gary Hayzlett, R-Lakin, said the group strives to prevent the hodgepodge purchasing of computers that had been common in state government.

"Literally millions of dollars were being wasted," he said.

What is being asked now, said Rep. George Dean, D-Wichita, is for agencies to present a strategic plan and a needs analysis before making technological purchases.

nicating.

Steve Davis, consultant for Juvenile Justice, said he was looking more at the criminal than the social side of information management.

Sen. Paul Feliciano, D-Wichita, disagreed with that tact, saying a number of young people would be interacting with both agencies. Because of this, he said he thought it would be best that the agencies' computers were in sync.

Feliciano said he didn't want to see a fragmented system, with the two agencies carrying papers



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STATE OF KANSAS  
DEPARTMENT OF WILDLIFE & PARKS

Office of the Secretary  
900 SW Jackson, Suite 502  
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March 11, 1998

Representative Joann Flower, Chairperson  
Committee on Agriculture  
House of Representatives  
Room 423-S, State Capitol Building  
Topeka, Kansas 66612

Dear Representative Flower:

The Kansas Department of Wildlife and Parks (KDWP) appreciates the opportunity to discuss Senate Bill No. 504, as amended by Senate Committee, with your Committee. Senate Bill No. 504 would require the KDWP to account for funds received from lease of property under the control of the Department and to include such funds in the annual budget request submitted to the Governor and the Legislature. In addition, the bill was amended by the Senate to include the creation of a fund in which to properly account for funds earned from agricultural leases. This fund was requested by KDWP and would be entitled "State Agricultural Production Fund".

The KDWP manages property throughout the State for the purposes of providing outdoor recreation and preserving wildlife resources. These properties include both state owned property and property leased from the federal government (U.S. Army Corps of Engineers (COE) or Bureau of Reclamation (BOR)). The management practices established by KDWP for these properties are intended to optimize wildlife populations on public land in an environmentally sound and fiscally efficient manner.

The KDWP has established guidelines to direct agricultural activities on wildlife lands it manages. These guidelines emphasize that agricultural practices and the revenue generated are only for the improvement of wildlife populations, to maintain optimum wildlife habitat and provide for public use of the wildlife resource. The guidelines are utilized by local KDWP managers as they negotiate with local agricultural producers to determine cropping and grazing practices for state-managed property.

The COE and BOR have established requirements for the use of revenues generated by agricultural production on federal lands leased by KDWP. These requirements include a stipulation that any revenue generated through agricultural production must be utilized on the property from which the revenue is generated. In accordance with this requirement, the KDWP has received on an annual basis appropriation authority from the Legislature for the utilization of the "Federally Licensed Wildlife Areas Fund" to receipt and expend funds generated from

*House Agriculture Committee  
March 11, 1998  
Attachment 2*

agricultural production on federal lands. The fund is appropriated as a no limit fund. The actual receipts and expenditures will vary, depending on the return from agricultural production for any one year, and the KDWP estimates that revenue and expenditures will be \$400,000 per year.

For state-owned property managed by KDWP the Department has used a system of goods and services agreements to receive reimbursement for use of state property for agricultural production. The KDWP has requested creation of the "State Agricultural Production Fund" to properly account for reimbursements received in FY 1999. The fund should be authorized with a no limit expenditure authority similar to the Federally Licensed Wildlife Areas Fund described above.

The Senate Committee amendment, provided by the Department, complies with the intent of Senate Bill No. 504, as introduced, and would also concur with recommendations made by the Legislative Post Auditor regarding the proper accounting of compensation received for lease of property managed by KDWP. If you or members of the Committee have any questions, please advise.

Sincerely,



Steven A. Williams, Secretary  
Kansas Department of Wildlife and Parks

WP\agfund