

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES BUDGET
COMMITTEE

The meeting was called to order by Chairman John Faber at 1:30 p.m. on February 16, 2010, in Room 142-S of the Capitol.

All members were present.

Committee staff present:

Daniel Yoza, Office of the Revisor of Statutes
Heather O'Hara, Legislative Research
Diane Brian, Committee Assistant

Conferees appearing before the Committee:

Tom Frederick, Member of Kansas Animal Health Board
George Teagarden, Director/Livestock Commissioner
Mike Beam, Sr., Vice-president of Kansas Livestock Association
Tim Stroda, President - CEO, Kansas Pork Association

Others attending:

See attached list.

Hearing on:

HB 2666 **an act concerning the Animal Health Department; relating to fees**

Daniel Yoza, Office of the Revisor gave a brief overview on **HB 2666**.

Proponents:

Tom Frederick, Member of Kansas Animal Health Board, (Attachment 1), gave testimony before the committee in support of **HB2666**. A question and answer session followed the presentation.

George Teagarden, Livestock Association, (Attachment 2), gave testimony before the committee in support of **HB 2666**. A question and answer session followed the presentation.

Mike Beam, Sr., Kansas Livestock Association, (Attachment 3), gave testimony before the committee in support of **HB 2666**. A question and answer session followed the presentation.

Ty Gillum Kansas Livestock Marketing Association, (Attachment 4), provided written testimony in support of **HB 2666**.

Neutral:

Tim Stroda, Kansas Pork Association, (Attachment 5), presented neutral testimony before the committee on **HB 2666**. A question and answer session followed the presentation.

Hearing closed on **HB 2666**.

The next meeting is scheduled for Wednesday, February 17, 2010.

The meeting was adjourned at 3:15 p.m.

**House Agriculture and Natural Resources Budget Committee
Guest Sign In Sheet
Tuesday, February 16, 2010**

Name	Representing
George Teagarden	KAH D
Stephanie Moeller	public
TOM FREDERICK	KANB
MARK HEIM	KWO
Tim Stroda	Ks Pork Association
© <i>Paula Norton Ray</i>	KCC
Eric Wisner	KDA
GREG FOLEY	SCC
SCOTT CARLSON	SCC
MAX FOSTER	SCC
Don Teske	Ks Farm Union
Carol Allen	KDOC
Stan Compton	KSBD
Bill Thomsen	KDOC
Bill Montague	Commerce
Bill Asher	Commerce
Traci Herrick	Commerce
Marc Lowe	Commerce
P. Brennan	"
Leslie Kaufman	Ks Co-op Council
Dodie Wellshear	Geographic Solutions
BRAD HARRELSON	KFB
Matt Hickam	KCP+L
David Spruce	Curb
Lizalyn Helsel	Budget
Brendan Yorkley	Budget
Shonda Smith	CURB
Tom Brunu	Kc Dairy Assn.
Gusti Lee	Franklin County CVB
Martha Slater	First Generation - Video (commerce)

KANSAS ANIMAL HEALTH BOARD

**708 SW Jackson
Topeka, KS 66603-3714
785-296-2326**

February 16, 2010

Chairman Faber and members of the Agriculture and Natural Resources Budget Committee,

My name is Tom Fredrick from Hugoton, KS. I am a swine producer and a member of the Kansas Animal Health Board. I am here today as a proponent of House Bill 2666.

The Kansas Animal Health Department plays an integral part of the livestock industry in Kansas. Cattle, swine, sheep, dairy, and kennels are a critical piece of the Kansas economy today. These livestock industries businesses remain viable because of the day to day operations of the Animal Health Department and their commitment to eradication of infectious and contagious livestock diseases throughout the state. Additionally, they protect the health of Kansas herds by overseeing import and export requirements of livestock into the state and placing a strong emphasis on emergency management preparedness to prevent a contagious animal disease.

Due to the current fiscal economy, state general fund contributions to the Kansas Animal Health Department have decreased significantly over the years, from 38% in 2000 to 25% today. The department therefore has to rely more heavily on fees to maintain the goals and objectives of the department. Of particular concern is the disease control function. The last time user fees were increased within this function was in 1995, 15 years ago.

The Animal Health Board has put much thought into the proposed user fee increase and listened to all livestock species. Our goal is that Animal Health Department has the ability to continue to protect the health of the livestock industries at a level that is conducive to maintaining viable businesses for all producers. Now is a critical time for all livestock producers who are under scrutiny from industry activists and food safety groups. The activities the Kansas Animal Health Department provides to the livestock industries reassures our customers that we are providing a safe and wholesome product.

Thank you for your time today.

Tom Frederick

HOUSE AG & NATURAL RESOURCES BUDGET
DATE: 2/16/10
ATTACHMENT: 1

STATE OF KANSAS
Kansas Animal Health Department

George Teagarden, Livestock Commissioner

708 SW Jackson, Topeka, Kansas 66603-3714

Phone 785-296-2326 Fax 785-296-1765

Email - gteagarden@kahd.ks.gov

web site - www.kansas.gov/kahd

February 16, 2010

Chairman Faber and Members of the Agriculture and Natural Resources Budget Committee,

I am George Teagarden, Livestock Commissioner of the Kansas Animal Health Department. I am appearing here today as a proponent of HB 2666.

The KAHD has operated for years with a mix of SGF and funds generated from license and inspection fees paid by the livestock industry. Over the last several years, the percentage of SGF vs Fees has diminished from 38% SGF in 2000 to 25% in 2010. This move away from SGF funding has put a heavier burden on our fee funds.

The original function of the Kansas Animal Health Department was disease control and remains our primary function today. Generally fees are set in statute at a maximum and agencies work to the maximum over several years. The KAHD raised most of the fees that contribute to our disease control function to the maximum in 1995. Since that time we have had increased expenses (primarily salaries and benefits) without additional revenue. Expenses within the disease control function are now exceeding revenue to that fund.

In order to maintain a balanced budget, we have taken numerous steps to reduce expenditures. We currently have 5 positions that we are holding open. Our disease control staff is on restricted travel. We quit paying for internet service for our field staff. We have dropped our subscriptions to several newspapers/magazines. We have reduced out-of-state travel and dropped one national membership.

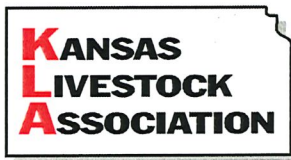
What this means: Fewer trained staff. Less contact with the producers, fewer inspections. The LPA recommended more technology, less paper work. Reduced input into national animal health issues.

We have a \$12 Bn livestock industry (annual inventory) to protect from disease events that could cause tremendous economic loss to the state and nation. We must be ready and able to respond to any disease outbreak. Without adequate funding our ability to control and eradicate disease is greatly reduced.

Kansas must maintain an effective disease control function.

Mr. Chairman, I will stand for questions.

HOUSE AG & NATURAL RESOURCES BUDGET
DATE: 2/16/10
ATTACHMENT: 2



Since 1894

To: House Agriculture and Natural Resources Budget Committee
Representative John Faber, Chairman

From: Mike Beam, Kansas Livestock Association

Re: Statement in support of HB 2666, a bill increasing fee revenue for the disease control fund of the Kansas Animal Health Department.

Date: February 16, 2010

The Kansas Livestock Association (KLA) has a rich history of advocating and supporting a viable and responsive state agency to address livestock diseases in Kansas. One of the earliest recorded disease challenges was in 1915 when foot-and-mouth disease broke near Wichita. To assist the State Livestock Sanitary Commissioner, the KLA Executive Committee voted in an emergency meeting to turn over the use of the association's Wichita office to the Commissioner and loaned the state the services of its Executive Secretary to help with the quarantine and elimination of diseased and exposed livestock. Later, in the early days of the trail drives, a quarantine was imposed in the Flint Hills when cattle treated improperly for ticks brought Texas fever to Kansas. In 1919 the Kansas Legislature recognized the commitment of Kansas stockmen to "maintain strict vigilance over matters of livestock health" and passed legislation empowering KLA to recommend the appointment of the Livestock Sanitary Commissioner.

Animal health and disease control continues to be a priority of KLA members, which is why we appear today as a proponent of this bill.

We urge this committee to consider the following situations:

1. For the disease control program, the Governor has recommended a decrease of \$330,679 from what it received in the 2009 FY. Furthermore, the Governor's recommendation is that \$42,013 of this reduction in next year's budget be replaced by \$42,013 from special revenue funds.
2. In FY 2000, the agency had a disease control fee fund balance of \$600,000, and the projected balance of this fund is \$30,000 for the end of the 2010 FY year (June 30, 2010).
3. The last increase in the statutory fees for disease control was adopted by the legislature in 1995.

4. Despite a reduction of general funds, the agency has incurred additional expenses for salaries (from legislation), insurance, and surcharges for state government support. Furthermore, the agency is operating several vehicles with 180,000 to 200,000 miles that require considerable maintenance.
5. With no additional funding, the agency is planning to (a) leave 5 vacant positions open (3 in disease control); (b) reduce travel (including in-state) by 30%; and (c) furlough all employees 8.5 days in FY 2011.
6. All agencies are facing budget challenges, and we believe it's unlikely the legislature will be able to fill these gaps with general fund monies.

Background on proposal to increase fees:

On November 16, 2009 Livestock Commissioner George Teagarden convened a group of stakeholders to review the agency's financial status and to discuss a new fee proposal that would raise additional revenue for the disease control program. (Representatives of the beef, swine, dairy, domestic deer, and auction market industry were present, including representation from KLA and Kansas Farm Bureau.)

The proposal generated concerns among auction markets, because of the proportion of fees collected by this industry source.

During the 2009 KLA Convention (December 3-4), the KLA Animal Health and ID Committee passed a directive urging the association to appoint a special working group to further discuss this issue. KLA officers appointed such a group to determine if there is an agreement among representatives of various segments of the livestock industry for a revised fee structure to provide adequate revenues to fund disease control functions of KAHD. (*See Attachment B*)

Working Group consensus:

After reviewing the agency's financial situation, this group overwhelming agreed the livestock industry should step forward to adequately support KAHD because of the importance of its mission and to help ensure the agency remains a stand-alone, viable entity.

There was considerable discussion regarding the appropriate amount of fee revenue from livestock (primarily cattle) consigned at auction markets and from the "feed lot" industry. After considerable discussion, the consensus was to support (a) a statutory increase from 15 cents/head to 25 cents/head at auction markets...with the understanding the agency would limit the increase to 20 cents/head by regulation; (b) increase the auction market license from \$40 to \$250; and (c) initiate a new feedlot license schedule, with more categories and substantially higher annual license fees.

These recommendations, coupled with some of the other changes recommended in November, are reflective in HB 2666. (*See Attachment A*)

As you may suspect, we are not excited about raising fees and the costs of doing business. We believe, however, there is no attractive alternative if the legislature wants to maintain an agency that's vital to the health and well-being of a multi-billion dollar industry in this state.

Thank you for your consideration. We look forward to answering any questions.

Kansas Animal Health Department Fee Funding for Disease Control Program

Attachment A

Current fee schedule set by law

Proposed HB 2666

Category	Fee	Revenue	Category	Fee	Revenue
Lvst Dealers (63)	\$75.00	\$4,725		\$75.00	\$4,725
Lvst Mrkts (50)	\$40.00	\$2,000		\$250	\$12,500
Occasional Sales					
1-2 sales (22)	\$25	\$550		\$25	\$25
3-5 sales (3)	\$50	\$150		\$50	\$150
6-9 Sales (2)	\$75	\$150		\$75	\$150
10-12 Sales (4)	\$100	\$400		\$100	\$400
		\$1,250			\$1,250
Poultry (112)	\$20	\$2,240		\$25	\$2,800
Deer Facilities					
1-4 hd (20)	\$25	\$500		\$25	\$500
5-9 hd (16)	\$50	\$800		\$50	\$800
10-19 hd (11)	\$75	\$825		\$100	\$1,100
20 and more (37)	\$100	\$3,700		\$150	\$5,500
		\$5,825			\$7,900
Feedlots					
Less than 1000hd (62)	\$75	\$4,650	<1000hd (62)	\$75	\$4,650
1000-2999 hd (176)	\$150	\$26,400	1000-2999 (176)	\$350	\$61,600
3000-9999 hd (136)	\$300	\$40,800	3000-5999 (84)	\$650	\$54,600
10,000-17000hd (47)	\$450	\$21,150	6000-9999 (64)	\$750	\$48,000
18,000+ (61)	\$750	\$45,750	10,000-17,900(46)	\$1,100	\$50,600
		\$138,750	18,000-29999 (23)	\$1,500	\$34,500
			30,000-49999 (34)	\$1,650	\$56,100
			50,000-99999 (15)	\$1,800	\$27,000
			>100,000 (2)	\$2,000	\$4,000
					\$345,700
Mrkt Inspections					
2,400,000 hd	\$0.15	\$360,000	\$0.25 \$600,000 max	\$0.20	\$480,000
Total Revenue		\$514,790			\$854,875

KLA's Animal Health Department Fee Funding Working Group

Cow-Calf/Stocker representation:

Ken Grecian, Palco (Chair)

Roger Giles, Bucklin

David Cross, Lewis

Harry Moser, Wheaton

Lyman Nuss, Dorrance

Feeders:

Lonnie Busch, Leoti (*Cargill Cattle Feeders*)

Larry Penka, Cimarron (*Irsik & Doll Co.*)

Grant Morgan, Scott City (*Poky Feeders, Inc.*)

Martin Daharsh, Ulysses (*Cactus Feeders*)

Terry Nelson, Long Island (*Nelson Farms*)

Market operators:

Dennis Rezac, St. Mary's (*Rezac Livestock Commission Co.*)

Mark McKee, Parsons (*Parsons Livestock Market*)

Mike Samples, Salina (*Farmers & Ranchers Livestock*)

Brian Winter, Dodge City (*Winter Livestock Auction*)

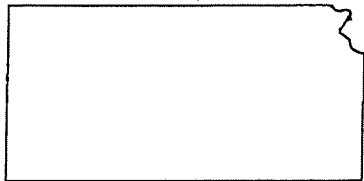
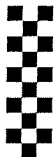
Jake Lewis, Pratt (*Pratt Livestock, Inc.*)

Dairy:

Brian Hemann, Hugoton (*Mascow Dairy, LLC*)

Kansas Animal Health Board Chair:

Heather Donley, Ellsworth



KANSAS LIVESTOCK MARKETING ASSOCIATION

10510 NW AMBASSADOR DRIVE • KANSAS CITY, MO 64153-1278 • (816) 891-0502

February 16, 2010

Chairman Faber and members of the House Agricultural and Natural Resources Budget Committee, the Kansas Livestock Marketing Association want to be on record as proponents of House Bill No. 2666.

At the annual Kansas Livestock Marketing Association meeting held on January 24, 2010 the group acknowledged the need to keep the Kansas Animal Health Department in it's current form as a stand alone agency.

Animal disease control and the ability to respond to a catastrophic disease outbreak is something the KAHD has addressed in recent mock animal disease outbreak exercises. By already having a course of action ready to implement puts the KAHD in a state of readiness. This state of readiness ensures the continued flow of livestock into commerce and maintain the welfare and safety of that livestock.

As budgeting issues are at the forefront in order to maintain the KAHDs' stand alone status the Kansas Livestock Marketing Association moved and passed to adopt the KAHD fee increase proposal as set forth in House Bill No. 2666.

Ty Gillum
President
Kansas Livestock Marketing Association

HOUSE AG & NATURAL RESOURCES BUDGET
DATE: 2/16/10
ATTACHMENT: 4

**House Agriculture and
Natural Resource Budget Committee**



Testimony on HB 2666

By Tim Stroda
President-CEO
Kansas Pork Association

February 16, 2010

Mr. Chairman, members of the Committee, I am Tim Stroda. I represent the members of the Kansas Pork Association.

The Kansas Animal Health Department has a long history of providing quality service to the Kansas livestock industry. The Department serves as our first line of response against a foreign animal disease outbreak. The Department has worked closely with our industry to eradicate contagious diseases such as swine pseudorabies. Pork producers are also very appreciative of the ongoing feral swine control work. In fact, our industry has provided \$40,000 in support of this effort.

Pork producers believe the Kansas Animal Health Department is a valuable partner in ensuring the safety of our products.

However, HB 2666 highlights what we believe to be a flaw in the fee structure which supports the Department. According to current law and the bill, the fee structure is charged on a per head basis.

We would like to amend the fee structure for swine operations to be based on the "animal unit" concept. We propose utilizing the language already in use by the Kansas Department of Health and Environment to designate the fee. We believe this provides a fair way to assess the fee.

Please let me explain "animal units". The following definitions are loosely based on the manure produced by each species. Livestock producers should be familiar with these designations.

- 1 Beef cattle weighing more than 700 pounds = 1 AU
- 1 Beef cattle weighing less than 700 pounds = .5 AU
- 1 Mature dairy cattle = 1.4 AU
- 1 Swine weighing more than 55 pounds = 0.4 AU
- 1 Swine weighing 55 pounds or less = 0.1 AU

To help explain why we are requesting a change; let's look at the economic differences between two of the species.

- A market-weight beef cattle weighs about 1,300 pounds and is selling for about \$.85 per pound for a total of \$1105.
- A market-weight swine weighs about 270 pounds and is selling for about \$.48 per pound for a total of \$130.

In a quick analysis, the ratio based on weight is about 4.8 to 1. In dollars, the ratio is 8.5 to 1. The KDHE animal units would only provide a ratio of 2.5 to 1.

While this scenario provides an apples-to-apples comparison, the real world is always more complicated. As the law stands today, a livestock producer is supposed to count the number of head on the farm at one time. If a producer happens to operate a swine nursery operation, the pigs will weigh about 14 pounds when they arrive at the farm and leave at around 50 pounds. This operation is assessed at the same rate as a beef cattle operation with animals weighing 1,300 pounds.

Pork producers are asking for a fair way to support the Animal Health Department, but we also believe it is in the best interest of producers to have a permit in place. We would also like to add a swine category for 300-999 animal units. Using the rates in HB 2666, this permit would cost \$75.

As you know, our industry has had a rough two years. It is estimated Kansas pork producers have lost about \$150 million. To put that in perspective, this is over 75% of the estimated profits producers earned in the 16 years prior to 2008.

To be very blunt, cash is very hard to find in our industry. As it stands, HB 2666 more than doubles our fees. Without the change to animal units, our producers just can't afford the permits.

The members of the Kansas Pork Association ask for your favorable consideration on the proposed amendment to House Bill 2666.

65-171d (3)

(3) "Animal unit" means a unit of measurement calculated by adding the following numbers: The number of beef cattle weighing more than 700 pounds multiplied by 1.0; plus the number of cattle weighing less than 700 pounds multiplied by 0.5; plus the number of mature dairy cattle multiplied by 1.4; plus the number of swine weighing more than 55 pounds multiplied by 0.4; plus the number of swine weighing 55 pounds or less multiplied by 0.1; plus the number of sheep or lambs multiplied by 0.1; plus the number of horses multiplied by 2.0; plus the number of turkeys multiplied by 0.018; plus the number of laying hens or broilers, if the facility has continuous overflow watering, multiplied by 0.01; plus the number of laying hens or broilers, if the facility has a liquid manure system, multiplied by 0.033; plus the number of ducks multiplied by 0.2. However, each head of cattle will be counted as one full animal unit for the purpose of determining the need for a federal permit. "Animal unit" also includes the number of swine weighing 55 pounds or less multiplied by 0.1 for the purpose of determining applicable requirements for new construction of a confined feeding facility for which a permit or registration has not been issued before January 1, 1998, and for which an application for a permit or registration and plans have not been filed with the secretary of health and environment before January 1, 1998, or for the purpose of determining applicable requirements for expansion of such facility. However, each head of swine weighing 55 pounds or less shall be counted as 0.0 animal unit for the purpose of determining the need for a federal permit.