

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on March 17, 2010, in Room 548-S of the Capitol.

All members were present.

Committee staff present:

J. G. Scott, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant
James Fisher, Intern

Conferees appearing before the Committee:

Jane Carter, Executive Director, Kansas Organization of State Employees (KOSE)
Carl Parker, Administrative Assistant, Larned State Hospital
Constantine Cotsoradis, Deputy Secretary, Department of Agriculture
Don Sayler, Kansas Restaurant & Hospitality Association
George Teagarden, Director, Kansas Animal Health Department
Tim Stroda, Kansas Pork Association
Mike Beam, Kansas Livestock Association (KLA)
Bryan Caskey, Secretary of State's Office

Others attending:

See attached list.

Distribution of information

Information on **SB 476**, as requested, from Kansas Churches for Fair Taxation, was distributed to the Committee (Attachment 1).

Hearing on SB 294 - Amendments to the Kansas whistleblowers act; employee suggestion program.

Jill Wolters, Revisor, explained that **SB 294** would amend the whistleblowers act to address disciplinary action and also reinstate the state employee suggestion program (Attachment 2).

Senator Hensley appeared before the Committee to introduce the conferees who would testify before the Committee and noted the importance of the legislation. Senator Hensley stated that there were approximately 300 state employees in the Capitol today at their own expense to advocate for the state's employees.

Jane Carter, Executive Director, Kansas Organization of State Employees (KOSE), presented testimony in support of **SB 294** (Attachment 3). Ms. Carter noted that the legislation would make government more transparent by allowing state employees to speak out concerning fraud, waste and abuse without discrimination or retaliation.

Responding to a question from the Committee, Ms. Carter noted that the legislation would add a layer of protection for employees who speak out.

Carl Parker, Administrative Assistant, Larned State Hospital, presented testimony in support of **SB 294** (Attachment 4).

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on March 17, 2010, in Room 548-S of the Capitol.

There were no other proponents, neutrals or opponents to appear before the Committee.

The hearing on SB 294 was closed.

Hearing on SB 570 - Lodging inspections and food safety fees.

Daniel Yoza, Revisor, provided an explanation of **SB 570** (Attachment 5).

Constantine Cotsoradis, Deputy Secretary, Department of Agriculture, presented testimony in support of **SB 570** (Attachment 6). Mr. Cotsoradis stated that the inspection program was temporarily suspended beginning in January 2010 due to the Governor's budget reductions. This bill would allow an increase to the lodging establishment's license fee and generate funds to provide periodical lodging and food facility inspections.

The Committee expressed concern with the lapse of time between inspections and felt that the facilities should be inspected more frequently. Responding to questions from the Committee, Mr. Cotsoradis stated that the agency would be willing to partner with cities and counties in doing the routine inspections for mutual benefit. Mr. Cotsoradis noted that there would be no funds available to pay the cities or counties. Mr. Cotsoradis noted that any and all complaints received by the agency will be investigated. Because a number of lodging chains do periodical inspections on their own facilities, Mr. Cotsoradis stated that the agency is working to develop regulations so the agency can have access to the lodging chains' inspection reports.

The Committee indicated that some language in the bill pertaining to who would do the inspections may need to be amended. In addition, there would be a need to authorize the agency's request for an additional 2 positions, noting that this action could be done in the Omnibus bill.

Don Sayler, on behalf of the Kansas Restaurant & Hospitality Association (KRHA), presented testimony in support of **SB 570** (Attachment 7). Mr. Sayler explained that KRHA supports the bill in theory; however, has concerns that imposing an additional fee on lodging and food service facilities will place an additional burden on those facilities during a time when they are facing a budget crisis of their own. Mr. Sayler indicated that it is important to inspect lodging and food facilities to promote conventions and tourism.

There were no other proponents, neutrals, or opponents to appear before the Committee

The hearing on SB 570 was closed.

Hearing on SB 571 - Animal Health Department; fees.

Daniel Yoza, Revisor, presented an explanation of **SB 571**, noting that the legislation would allow the Animal Health Department to increase fees for various inspections (Attachment 8).

George Teagarden, Livestock Commissioner, Kansas Animal Health Department, presented testimony in support of **SB 571** (Attachment 9). Mr. Teagarden noted that over the past several years, the percentage of State General Fund (SGF) versus fee funds has diminished, placing a heavier burden on fee funds. Mr. Teagarden stated that because of the importance of the \$12 billion livestock industry to the state, it is essential to maintain an effective disease control function.

Mr. Teagarden also presented testimony in support of **SB 571** from Heather Donley, Chairperson, Kansas Animal Health Board, who was unable to attend the Committee meeting (Attachment 10).

Mr. Teagarden introduced Dr. Bill Brown, who will become Livestock Commissioner of the Kansas Animal Health Department, on May 1, 2010, when Mr. Teagarden retires.

Tim Stroda, President-CEO, Kansas Pork Association (KPA), presented testimony in support of **SB 571** (Attachment 11). Mr. Stroda stated that the Kansas Animal Health Department is a valuable partner in ensuring the safety of pork products. KPA suggested an amendment in Section 3(f) which changes the way fees are charged on pork operations from a per head basis to a "animal unit" concept to provide a fair way to

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on March 17, 2010, in Room 548-S of the Capitol.

assess the fee. Responding to a question from the Committee, Mr. Stroda explained that an "animal unit", per Kansas Department of Health and Environment (KDHE) regulations, refers to the comparison of a small animal to a larger animal to determine the unit value of each animal.

Mike Beam, Kansas Livestock Association (KLA), provided testimony in support of **SB 571** (Attachment 12). Mr. Beam noted that KLA advocates and supports a viable and responsive state agency to address livestock diseases in Kansas and remains a priority of KLA members.

Written testimony in support of **SB 571** was received from Ty Gillum, President, Kansas Livestock Marketing Association (Attachment 13).

There were no other proponents, neutrals or opponents to appear before the Committee.

The hearing on SB 571 was closed.

Hearing on SB 572 - Statute books; copies furnished to legislators.

Jill Wolters, Revisor, provided an explanation of **SB 572**, stating that the legislation would amend current statute, and limit the number of publications printed and bound, and distributed by the Secretary of State's office.

There were no proponents, neutrals or opponents to appear before the Committee.

Responding to a question from the Committee, Bryan Caskey, Office of the Secretary of State, indicated that copies given to the Washburn University Law School and University of Kansas Law School are used by the universities to exchange with other universities. Mr. Caskey indicated that some members of the state's congressional members requests copies.

◆ The Committee requested a listing of distribution of copies and current inventory.

The Committee will continue discussion of **SB 572** after additional information is received.

Adjournment

The next meeting is scheduled for March 18, 2010.

The meeting was adjourned at 12:00 p.m.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: March 17, 2010

NAME	REPRESENTING
Scott Towery	Kose
Carol Patten	Kose
Sherry Calzini	Kose
Ken Poland	Kose
Robert Witt	Kose
Rajdyw. Auger	Kose
MARK BOZANYAK	CAPITOL STRATEGIES
Courtney Lourey	KOSE
Shaia Tourey	KOSE
Jannette Tourey	KOSE
Cal Pahn	Kose
JANE CARTER	KOSE
Eric Wisner	KDA
Steve Morris	KDA
Gavi Young	Dept. of Admin
Patrick Woods	SRS
BRYAN A. CASKEY	SEC. OF STATE
Tim Stroda	Ks Pork Association
Mike Bean	Ks. Livestock Assn
George Breshers	KOSF
Thylka's Sales	KOSF
R.J. Wilson	KOSB
Bruce Tunnell	AFL-CIO

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: March 17, 2010

NAME	REPRESENTING
Julie Hein	Hein Law Firm
Don Saylor	TRHA
DICK CARTER	TIAK
Julie Thomas	POB
FERRY FORSYTH	KNEA
Hannah Brown	MV Solutions
Ron Stanton	Northern Natural Gas Co
Scott Jones	KCPC
Juni Roy	KCSC
Trudy Racini	KCSC
Cynthia DeCoursey	American Heart Assoc
KID MERRY	KEARNEY & ASSOC.
Rachel Whitten	Kansas Reporter

Kansas Churches for Fair Taxation

5410 SW 7th Street
Topeka, Kansas 66606
Phone: 785-228-6800
E-Mail: tboyd@kncsb.org

March 15, 2010

To: Senator McGinn
Re: Membership in Kansas Churches for Fair Taxation

At present our coalition consists of the Kansas-Nebraska Convention of Southern Baptists; the Disciples of Christ; the Nazarenes; American Baptists; and several independent congregations who are non-denominational. We are in conversation with the Seventh Day Adventists, National Baptists, and Presbyterians. We have an associate relationship with the Kansas Catholic Conference.

To: Senator Lee
Re: Spending of churches and our position on the other parts of SB476

Regarding your interest concerning whether churches are investing heavily in recreational facilities or other self-serving facilities, it is difficult for me to know exact figures or numbers of churches that have such facilities. I can comment on my own denomination. We have over 300 churches in Kansas. A few have gyms, which they use for their membership, but also make available for community activities. I am aware of only one of our churches that has an extensive recreational facility. That particular church has used the facility in a number of community service functions including making the facility available to members of the law enforcement community and other public safety groups. From what I do know of other denominational groups, they would give a similar reply to your inquiry.

Regarding our position on the remainder of SB476, we have not taken any position on other parts of the bill and will not. We believe that members of those organizations can adequately address those issues. We also believe that we are not in a position to judge whether other organizations are deserving of this exemption.

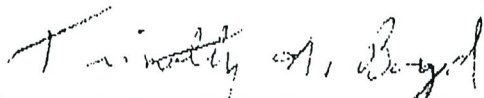
To: Senator Teichman
Re: Our position on the other parts of SB476

Please see the second paragraph of my reply to Senator Lee above.

To: Senator Kelly
Re: Church supported schools

I must confess that I am not conversant with the situation related to church supported schools. We have asked Mike Schuttloffel, who works with the Kansas Catholic Conference, to contact you regarding this issue. We believe that he can best address your question related to this issue.

I would be happy to address any other questions from the Senate Ways and Means Committee at your pleasure.



Timothy N. Boyd, Ph.D., Coordinator, *Kansas Churches for Fair Taxation*

Senate Ways & Means Cmte
Date 3-17-2010
Attachment 1

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MEMORANDUM

To: Senator Emler, Chairman, and Members of the Ways and Means Committee
From: Jill Wolters, Senior Assistant Revisor
Date: March 16, 2010
Subject: Senate Bill No. 294, whistleblowers act and state employee award program

SB 294 amends the whistleblowers act to include other types of action which is disciplinary action. Such action would include a warning of possible demotion, transfer, reassignment, suspension or reprimand not just the current actual demotion, transfer, reassignment, suspension or reprimand. The amendment also defines "public contractor".

Currently, supervisors are not allowed to prohibit employees from speaking with a member of the legislature or an auditing agency. This amendment would add the attorney general and further state that supervisors are not allowed to take any disciplinary action against employees for speaking with a member of the legislature, the attorney general or an auditing agency

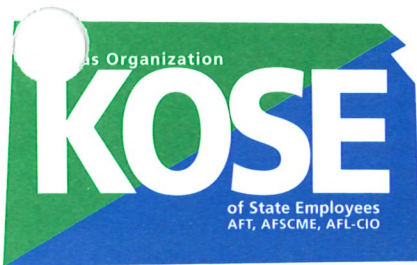
If the board finds that disciplinary action taken was unreasonable, the board shall order relief for the employee as the board considers appropriate, including, but not limited to, reinstatement to the employee's former position, back pay and reestablishment of any employee benefits for which the employee would otherwise have been eligible if such violation had not occurred. Currently law only states relief as the board considers appropriate.

Public contractors are granted similar protections as state employees. The court would grant relief to those public contractors.

The bill also reinstates the state employee suggestion program which sunset on July 30, 2006.

The bill will become effective upon publication in the statute book.

Senate Ways & Means Cmte
Date 3-17-2010
Attachment 2



A NEW DAY... A BETTER WAY... FOR STATE EMPLOYEES

Testimony before the
Senate Ways and Means Committee

On
SB 294

By
Jane Carter, Executive Director
Kansas Organization of State Employees
March 17, 2010

We are in tough times, and we all know the difficulties of the budget crisis that is affecting the nation, state, and employee pocket books. As our state and nation faces historical challenges, one reform could save millions of taxpayer dollars and make government more transparent and open: authentic whistleblower protections for all state employees. Regardless of the issue, state workers must be empowered to safeguard the public trust. They must have the confidence that if they speak out, they will not face repression and retaliation. Unfortunately, that is not the case today.

The current budget crisis has long fingers, and not just into our pocket books and the state coffers. State workers are more fearful than ever of losing their jobs. Employees are scared to point out wrong doing for fear of reprisal, retaliation, or worse. A recent poll of our members found that state employees fear retaliation for raising concerns about the work and mission of their agencies. Most responses added that if they were to come forward, they would surely face serious retaliation, including threats, demotion or outright firing.

Not only is it a disgrace that speaking out about wrongdoing in government is still such a risky endeavor; it's unsustainable, as the stakes for public programs and funds have rarely been higher. The need for strict accountability and oversight to protect lives and prevent waste, fraud, and abuse has never been more urgent.

Because provisions of this legislation were sunsetted in 2006, SB 294 would go a long way to repair and modernize the broken system of protection for state workers and our tax dollars – but it does not go too far. It does not propose sweeping change, but rather is an essential update to the policy to ensure functional rights for all state employees and contractors. Specifically, SB 294 ensures that neither supervisors nor the appointing authority of any state agency shall prohibit any employee of the state agency from coming forward to identify waste and mismanagement with any member of the Legislature, the Attorney General or any auditing agency. The proposed legislation also ensures that employees will not be retaliated against for identifying mismanagement. Additionally, this legislation allows for the Civil Service board to not only reinstate the employee, but to also provide for lost wages, back pay and lost benefits. Finally, the incentives provided by this legislation further enhance and motivate employees to speak out.

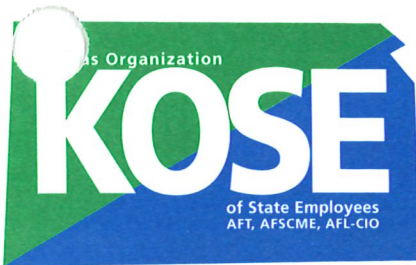
Whistleblowers are our most effective deterrent against fraud and waste. Protecting their honest disclosures is our best assurance that taxpayer dollars are spent wisely and government works effectively. SB 294 ensures more accountability and transparency in state government. Employees should not stay quiet or face reprisal, or worse. It's time to end the discrimination and retaliation. KOSE strongly encourages the Legislature and this Committee to pass SB 294.

Senate Ways & Means Cmte
Date 3-17-2010
Attachment 3

Kansas Organization of State Employees, AFT/AFSCM

1301 SW Topeka Boulevard • Topeka, KS 66612 • 785-354-1174 • toll free 1-86





A NEW DAY... A BETTER WAY... FOR STATE EMPLOYEES

Testimony before the
Senate Ways and Means Committee

On
SB 294

By
Carl Parker
March 17, 2010

My name is Carl Parker, and I am an administrative assistant at Larned State Hospital. First, I would like to thank the Committee for hearing this extremely important proposed legislation today. I thank each of you for taking the time to make real changes, and to help state employees come forward to identify waste.

In this tough budget crisis, the State can save money in more ways than one. Ask any business man and he will tell you that the workers know the business better than any one else. Even more importantly, we can tell you how to do our jobs better and make the state run better.

Every day, I see waste and changes that should be made. Every week, I hear from other employees who have ideas on how to make things work better. But very rarely do we speak our minds out of fear of losing our jobs. State employees will tell you that abuse of the system is everywhere, but they won't give you the facts - our jobs are more important.

Our supervisors evaluate us, and they soon will decide whether or not we 'deserve' a raise. If a supervisor's plan isn't working, would you be the first to point out the flaws, or the first to keep your mouth shut?

We should be able to tell the Legislature what is happening in the trenches without fear of losing our jobs or losing position on the shift roster. Being able to not only go to a Legislator or Agency head, but also the Attorney General is more important now than ever. Senate Bill 294 also enhances the deal by giving employees incentives for coming forward. Reinstating the provision of the Whistleblower Act is needed to help cleanup government waste.

The Legislature should support employees coming forward, and employees should not be fearful to expose the 'fat at the top'. I urge you to support Senate Bill 294.

Senate Ways & Means Cmte
Date 3-17-2010
Attachment 4

Kansas Organization of State Employees, AFT/AFSCME

1301 SW Topeka Boulevard • Topeka, KS 66612 • 785-354-1174 • toll free 1-86



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MEMORANDUM

To: Senate Ways and Means Committee
From: Daniel Yoza, Assistant Revisor
Date: March 17, 2010
Subject: SB 570

House Bill 570 amends K.S.A. 2009 Supp. 36-502, 36-518, and 36-591 and repeals 36-512. The purpose of this bill is:

- 1) To create the lodging inspection fee fund. All money received from lodging inspection fees, both application and license, go into that fund.
- 2) To increase the base license fee from \$30 to \$80, the multiplier for each 10 rooms from \$5 to \$20, new applications from \$100 to \$200 and the maximum amount for the application fee from \$100 to \$200.
- 3) To require the secretary to inspect a facility when a complaint is received.

The repeal of K.S.A. 36-512 is necessary accomplish the goal of separating the food inspection moneys from the lodging inspection moneys. This changes the food safety fee fund statute to allow money that was going into the food inspection reimbursement fund to go into the food safety fee fund.

This bill, if passed, would take effect on July 1, 2010.

**Testimony on Senate Bill 570
to
The Senate Ways and Means Committee**

**by Constantine V. Cotsoradis
Deputy Secretary
Kansas Department of Agriculture**

March 17, 2010

Good morning, Chairman Emler, and members of the committee. I am Constantine Cotsoradis, deputy secretary of agriculture, and I am here in support of Senate Bill 570.

SB 570 creates a new statute that establishes a lodging fee fund and directs all money received from lodging license fees to go into that fund. Previously, the lodging program was funded through an appropriation from the state general fund. The annual cost of operating the program is \$245,000. Unfortunately, to meet our November 2009 allotment, we were forced to temporarily suspend the program beginning January 2010.

Fees to fund this program will come from an increase to the lodging establishment license fees. The base license fee is increased from \$30 to \$80, and the fee for each additional 10 rooms is increased from \$5 to \$20. The maximum fee for a new license application is increased from \$100 to \$200, and the fee for a duplicate license is increased from \$3 to \$5.

These increases should generate about \$155,000, which would allow our Food Safety and Lodging program to inspect all newly licensed facilities as required by KSA 36-502. In addition, the bill proposes amendments to K.S.A. 36-518, which requires our department to investigate complaints involving lodging establishments. This funding will allow us to inspect those facilities. We will be able to perform routine inspections of all lodging facilities in the state every two to three years, instead of once every 12 to 18 months as we had done previously. We plan to hire two inspectors who, along with existing inspectors, will be cross-trained to perform both food safety and lodging inspections. This will increase program efficiency, help reduce travel time and allow for the maximum number of facilities to be inspected. It should be noted that the governor's recommendation for FY 2011 eliminated three FTE positions responsible for lodging inspections before the program was suspended. If this bill passes, we would like two of those positions reinstated.

The bill also deletes a statute that directs to the state general fund all fees received pursuant to the food service and lodging act, and this provides an opportunity to simply how fees are pooled to fund food safety inspections. The deleted statute required some food service fees to go into a food inspection reimbursement fee fund. Provisions of this bill to now go into the food safety fee fund. This bill also allows fees now g

inspection fee fund to also go into the food safety fee fund. This creates a single pool for all food safety fees from which to operate food safety functions. The food safety fee fund currently is authorized by a budget proviso that was part of KDHE's budget when we took over the program. We believe this should be in substantive law, and the bill clarifies this intent.

It is important that a state-operated lodging program exist because it instills confidence in Kansas residents and visitors that our hotels are being inspected and are operating under the required sanitation standards. We support SB 570 because it will provide for a program that meets the needs of the lodging industry, tourism and consumers, and it will do it for a lower cost than the program we suspended

I will stand for questions at the appropriate time.



Testimony Re: SB 570 Concerning Lodging Inspections
Senate Ways & Means
On behalf of
Kansas Restaurant and Hospitality Association
March 17, 2010

Chairman Emler and Members of the Committee:

My name is Don Sayler, and I am CEO of the Kansas Restaurant and Hospitality Association. The Kansas Restaurant and Hospitality Association, founded in 1929, is the leading business association for restaurants, hotels, motels, country clubs, private clubs and allied business in Kansas. Along with the Kansas Restaurant and Hospitality Association Educational Foundation, the association works to represent, educate and promote the industry of hospitality in Kansas.

KRHA supports SB 570 in theory. This bill establishes a lodging inspection fee fund and converts the inspection process to a complaint basis.

We know that KDA suspended the inspection program because of cost demands on the State General Fund (SGF). We understand the state's concerns, and we have been working with KDA to try to solve this problem, which hurts our industry and, consequently, the state taxpayers as well. We have had several conversations with the Department of Agriculture on these points and appreciate their willingness to work with our industry to find a common solution. Our concern with SB 570 is the level of fee increases.

Our industry is under extreme stress at this point. We are facing numerous attacks from this very legislature, in the form of tax increases on alcohol, tax increases on non-alcoholic beverages, passage of smoking bans, competition from publicly owned lodging facilities such as cabins operated by the Kansas Department of Wildlife and Parks, dramatic increases in Unemployment Insurance tax, and an economy which is strangling tourism and significantly reducing our revenues. We can not take any more adverse actions, whether by government or otherwise. If we have our reputation damaged by the appearance of no government oversight regarding our health and safety, we will suffer greatly in this state.

We are willing to continue working with the KDA on implementation of a program of inspections that would concentrate efforts on complaints. For years, the inspection program for Kansas was based primarily upon complaints, with no pro-active inspection program beyond that. Currently many hotels have mandated inspections as part of their corporate chain affiliation. Some larger properties may be required to pay third party inspectors for independent inspections. In this manner consumers have felt secure.

As an industry, we currently pay fees, and are willing to look at what fees would need to be paid in order to insure that KDA can maintain a program of complaint based compliance. Additionally this may also permit inspections of new facilities, and perhaps even an ongoing inspection program that inspects facilities over some degree of frequency. We have also explored a penalty system, which would require facilities causing the complaints through non-compliance with the state health and safety requirements to pay a fine which could also be used to fund this program.

Safe, clean lodging facilities are of the utmost importance to us and to the strength of our industry. We are more than willing to partner with KDA to assist in educational efforts, or to take part in any other solutions to problems that threaten the welfare of the lodging/tourism industry. We strongly support efforts as an industry, or in support of state action, to insure that our industry is safe and clean, and we will be wholly supportive of any reasonable solutions to such a problem. Kansas along with the lodging, restaurant and hospitality industries need to present tourism and our industries in the most positive light possible. KRHA is dedicated to that end and will support steps necessary to insure that such occurs.

Thank you very much for permitting me to testify and I will be happy to yield to questions.

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Telephone (785) 296-2416 FAX (785) 296-6668

MEMORANDUM

To: Senate Ways and Means Committee
From: Daniel Yoza, Assistant Revisor
Date: March 17, 2010
Subject: SB 571

House Bill 571 amends K.S.A. 47-1001e, 47-1011, 47-1503 and 47-2101. The purpose of this bill is to increase fees the Animal health department may charge for various inspections.

This bill increases maximum amounts that can be charged. The Animal health department sets the actual amounts charged. The fee maximums that are increased are as follows:

- 1) Market license renewal: from \$40 to \$250
- 2) Electronic auction: from \$40 to \$250
- 3) Livestock market per head fee: from \$0.15 to \$0.25
- 4) Feedlot licenses: see the tables on pages 3 and 4 (Note that new subsection (f) includes fees for swine, sheep and goat feedlots.)
- 5) Domesticated deer permits: from \$100 to \$150

This bill, if passed, would take effect on July 1, 2010.

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

March 17, 2010

Chairman Emler and members of the Senate Ways and Means Committee,

I am George Teagarden, Livestock Commissioner of the Kansas Animal Health Department. I am appearing here today as a proponent of SB 571.

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.

Senate Ways & Means Cmte

Date 3-17-2010

Attachment 9

KANSAS ANIMAL HEALTH BOARD

708 SW Jackson

Topeka, KS 66603-3714

Heather Donley, Chairperson

785-296-2326

www.kansas.gov/kahd

March 17, 2010

Chairman Emler and members of the Senate Ways and Means Committee,

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 the 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 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.

The Kansas Animal Health Board will appreciate your support of SB 571.

Thank you for your time today.

Sincerely,

Heather Donley
Chairperson
Kansas Animal Health Board

Senate Ways & Means Cmte

Date 3-17-2010

Attachment 10



Senate Committee on Ways and Means

Testimony on Senate Bill 571

By Tim Stroda
President-CEO
Kansas Pork Association

March 17, 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. That's why the pork industry is willing to support a fee increase even during a period of severe financial strain for producers.

It is estimated Kansas pork producers have lost about \$150 million in the past two years. 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, but pork producers also want to provide their fair share of support. With this in mind, the KPA suggested the amendment in Section 3 (f) which changes the way fees are charged on pork operations from a per head basis to the "animal unit" concept. We believe this provides a fair way to assess the fee.

The members of the Kansas Pork Association ask for your favorable consideration on Senate Bill 571.

In 2009, Kansas pork producers sold over 3.2 million head of market hogs, feeder pigs and seed stock with a gross market value over \$356 million. This year, Kansas pork operations will consume nearly 40 million bushels of grain or grain products.



Since 1894

To: The Senate Ways & Means Committee
Senator Jay Emler, Chairman

From: Mike Beam, Kansas Livestock Association

Re: Testimony in **support of SB 571**, a bill increasing fee revenue for the disease control fund of the Kansas Animal Health Department.

Date: March 17, 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' budget be replaced by \$42,013 from special revenue funds.
2. The Senate Ways & Means Committee recently adopted a KAHD budget with an additional 2.5% reduction in general funds, which equates to a further decline of \$19,618. This reduction will have an impact on the disease control program's resources.

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3. 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).
4. The last increase in the statutory fees for disease control was adopted by the legislature in 1995.
5. 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.
6. With no additional funding (Governor's recommendation), 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. (This furlough estimate has been revised to 12.5 days with the Senate Ways & Committee recommended budget.)
7. 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 in the near future.

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 overwhelmingly 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 and by the Kansas Pork Association, are reflective in SB 571.

As you may suspect, we are not excited about raising fees and the costs of doing business. We believe, however, there is no other 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.

March 17, 2010

Chairman Emler and members of the Senate Ways & Means Committee, the Kansas Livestock Marketing Association wants to be on record as proponents of Senate Bill 571.

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 its 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 maintains the welfare and safety of that livestock.

As budgeting issues are at the forefront in order to maintain the KAHD's stand alone status the Kansas Livestock Marketing Association moved and passed to adopt the KAHD fee increase proposal as set forth in Senate Bill No. 571.

Ty Gillum
President
Kansas Livestock Marketing Association

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Date 3-17-2010
Attachment 13