



Kansas Grain & Feed Association (KGFA)
Kansas Cooperative Council (KCC)
Kansas Agribusiness Retailers Association (KARA)
816 SW Tyler, Topeka, Kansas 66612

February 2, 2017

TO: Senate Committee on Agriculture and Natural Resources
FROM: Randy E. Stookey, General Counsel, KGFA and KARA
Leslie Kaufman, President/CEO, Kansas Cooperative Council (KCC)
RE: Joint testimony on SB60, Neutral with concerns: Extending the sunset of certain department of agriculture fees.

Chairman Kerschen and members of the Committee, thank you for allowing us the opportunity to testify before this committee on the proposed changes to the fee statutes as set forth in SB 60.

KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in Kansas. KGFA's membership includes over 950 Kansas business locations and represents 98% of the commercially licensed grain storage in the state. The KCC represents all types of cooperative businesses in Kansas, including agriculture marketing and supply, utility, and financial and risk management co-ops. KARA is a voluntary trade association that appreciates membership of over 700 agribusiness firms that are that register for sale, supply or apply fertilizers, crop protection products, seed, and petroleum products; and, provide agronomic expertise, and agricultural services to Kansas farmers.

The associations submitting this joint testimony represent industries which provide agribusiness services, and store, transport, and sell crop inputs to agricultural producers. Our members pay various fees into the Kansas Department of Agriculture (KDA) for these services, and have a vested interest in the department's fee structures and how those fees are used.

Specifically, SB 60 would reset sunset provisions and realigns fee structures pertinent to our members:

- commercial fertilizer tonnage inspection fees
- agricultural chemical product registration fees
- pesticide business license fees
- certified commercial pesticide applicator registration fees
- certified commercial pesticide applicator examination fees
- certified private pesticide applicator's registration fees
- pesticide dealer license fees
- chemigation user's permit fees, and
- environmental assessments for the Agricultural Chemical Remediation Reimbursement Fund.

In order to help cover KDA's administrative costs, SB 60 would authorize the Secretary of Agriculture to use the money collected from these fees to cover "an amount necessary" to administer the various acts affected by the bill. The Secretary would then remit all remaining money to the state treasurer. While we agree that administrative overhead costs constitutes a legitimate use of a portion of the fees, we think it would be prudent to establish, in statute a ceiling on the amount of those fees that is to used for those costs.

We understand that this bill does not increase any of the current fees, but merely realigns the use of the current fees that are collected in order for KDA to cover its administrative costs. As there is no increase to our members, we are not opposed to that portion of the bill. However, as the bill would potentially draw some future funding away from the state water plan fund (SWPF), this bill might place additional pressure on that fund. If this were to happen, we would have some concerns about future requests on our members to pay additional fees into the SWPF.

Increases in the fees our members pay is especially concerning when those fees are already higher than those of our surrounding states. The full fertilizer tonnage inspection fee in Kansas is \$1.67/ton on each ton of fertilizer sold (\$1.40 of which goes into the state water plan fund). The fee in Nebraska is \$0.10/ton; the Colorado fee is \$0.60/ton; the fee in Missouri is \$0.50/ton (and being reduced to \$0.30); and, the Oklahoma fee is \$1.00/ton.

Kansas' fee on the registration of an agricultural chemical is \$210. Of that fee, \$100 is deposited into the state water plan fund, \$50 goes to the agricultural chemical fee fund at KDA, and \$60 is deposited into the Agricultural Chemical Remediation Reimbursement Fund - a fund which helps offset expenses directly related to the remediation of agricultural chemicals and fertilizers in Kansas soil and ground water. At \$210, Kansas' agricultural chemical product registration fee is already much higher than that of our surrounding states. For instance, the fee in Colorado is at \$165; the fees in Oklahoma and Nebraska are \$160; and, the fee in Missouri is \$150. Any increase in either of these fees would only escalate the current disparity across our state lines.

Under the funding mechanisms for the SWPF, \$6.0 million is to be transferred annually from the State General Fund (SGF) into the SWPF. An additional \$2.0 million is required to be transferred annually into the SWPF from the Economic Development Initiatives Fund (EDIF). This total transfer from the SGF/EDIF reflects the legislative intent of a collective contribution for the common water resource management needs of the state. However, while agricultural user fees annually contribute to the SWPF, the state general fund obligation has been less consistent. Since 2009, over \$50 million in these SGF/EDIF transfers have not been made into the SWPF, placing additional pressure on the fees paid by industry to cover the needs of the state water plan.

Already this year, a bill has been introduced which proposes a 50% increase to the fees our members pay into the SWPF, specifically: a 70 cent increase to the \$1.40 portion of the fertilizer inspection fee; and, a \$50 increase to the \$100 portion of each agricultural chemical product registration fee. Rather than relying on increased fees on industry, we would encourage that the SGF/EDIF transfers required by statute be paid into the system.

Section 12 of the bill would grant the Secretary of Agriculture new authority over the Kansas Agricultural Chemical Remediation Reimbursement Fund (Fund), by allowing KDA to deduct administrative costs from the industry fees meant for the fund. We would adamantly oppose this new authority. The Kansas Agricultural Remediation Board (KARB) currently pays KDA an annual stipend from the Fund to cover KDA's administrative costs connected to the Fund. We have discussed this section of the bill with the KARB and with KDA. KDA has agreed to offer a balloon amendment to the bill which would strike the current language in Section 12 and replace it with language that slightly increases the amount that KARB is authorized to pay from the Fund for administrative expenses.

For the reasons set forth above, we would ask that SB 60 be amended in Section 12 to strike the current language, and add language to increase the Kansas Agricultural Remediation Board's authority to reimburse the KDA for the agency's increased administrative expenses. Additionally, we would recommend that the bill be amended to provide for a maximum amount of each fee that the Secretary of Agriculture is authorized to use for administrative costs, rather than the current language which authorizes use of "an amount necessary" to cover the administrative costs. We will continue working with KDA and stakeholders to ensure that KDA's reasonable and necessary administrative expenses are covered fairly. Thank you, again, for the opportunity to comment today, and we will stand for questions at the appropriate time.

Randy Stookey
785-220-5211

Leslie Kaufman
785-220-4068