



House Education Committee Ron Highland, Chair

H.B. 2393 Requiring school districts to use generally accepted accounting principles; financial publication requirements.

March 5, 2015

Submitted by Jim Freeman

Mr. Chairman, members of the Committee:

Thank you for the opportunity to provide input on House Bill 2393 which sets forth new requirements relating to accounting standards, accounting systems, financial accounting and reporting and publication, compliance audits and penalties for non-compliance.

Section 1 of the bill requires that every school district in the state use one of five software packages for payroll and accounting approved by the State Board of Education.

In conversations with several school districts, eight have integrated software packages (both payroll and accounting) and 2 standalone systems (separate payroll and accounting systems). The bill would require a number of districts to change software. This is an expensive and time consuming endeavor.

Wichita Public Schools uses the two stand-alone packages. PeopleSoft is our HR and payroll software, Oracle eBusiness suite is our accounting software. If our two software systems are not on the approved list, we will spend several million dollars to purchase new software, not to mention the implementation and staff costs. I also have doubts the software packages being used by the other larger districts will handle our 9,000 employees and \$680 million budget.

Changing software is expensive to purchase, implement and time consuming as staff are retrained on new systems and procedures. This provision would increase non-classroom expenditures.

Section 2 (f) states the “reporting system shall allow a person to search the data and allow for the comparison of data by school district.”

If the intent of this statement is to allow a person outside of our district, and outside of our secured network, access to our systems for search purposes, this is a serious security problem. When the secured network is opened in any way, there is a risk of having the system compromised with the possibility of loss of personal data and data corruption.

Section 3 eliminates the waiver of generally accepted accounting principles (GAAP).

Wichita Public Schools currently operates under GAAP and issues a comprehensive annual financial report (CAFR). Most school districts in the state do not operate under GAAP and would see an increase in both budgeting and audit costs.

Since WPS complies with GAAP, we can speak to the costs involved. GAAP accounting requires the oversight of a person with GAAP-basis knowledge and governmental accounting, which I have on staff. Our staff spends several hundred hours over four months preparing the financials and CAFR. Districts without a person with the proper knowledge and training would have to contract for extensive time to develop and construct the annual GAAP financial statements. And then, they contract with a firm to audit the GAAP financial statements.

For a number of years state law has required districts to book state aid received in July as a June payment which inflates the true ending balances for schools. Wichita’s July payment for June is approximately \$25 million. However GAAP requires the state aid that is anticipated but not received to be shown as a receivable. This is a conflict between state law and GAAP.

Section 2 (i) sets out requirements for the publishing of data on the website.

There are a number of issues that cause concern.

The requirement for publishing salary information, Section 2(i)(C), for all employees includes “contributions and expenditures for any defined benefit pension plan, defined contribution plan, and any other postemployment or employee benefit plan”. I believe this is a privacy issue. Many employees contribute to Federal 457 and 403(b) retirement plans that are personal plans without district contribution. This private financial information would be required to be reported under this provision.

Section 2 (i)(D-E) require reporting of expenditures and revenues for extracurricular sports, activities and clubs. We currently use two systems for this purpose. Our district accounting system handles the district level expenditures such as major purchases and salaries for staff that sponsor and coach. Our buildings

use software for their activity budgets that handle much of the operational aspects of running the programs, such as handling revenues from admission to events and fund raising plus handling expenditures for those buildings' activities. Combining the two systems for reporting purposes required in this section will be cumbersome at best, and will require additional staff time to comply. Again, this will increase administrative costs and potentially taking money away from the classroom.

Section 2 (i)(F) requires reporting of expenditures attributed to each building or facility. These expenditures would include operational costs (such as utilities) plus staffing costs in the building. Wichita budgets and tracks a portion of the expenditures at the building level, but not all. To accomplish this would require additional staff time for the coding, budgeting and reporting above and beyond what we already do. If the purpose of this is for us to be able to compare one building to another, we will not gain anything by adding the additional budgeting, accounting and reporting. We already have the data we need for our internal comparisons. If the purpose is to allow someone from outside the district to use the data to compare within the district or between districts, they will be comparing apples and oranges. Buildings are constructed differently and different ages, the staff in the buildings is different, students have different needs, and the use of the buildings is different.

In summary H.B. 2393 would increase administrative costs, potentially expose the district to data security breaches, and intrude upon the privacy of our employees. For these reasons I oppose the bill.

Thank you, Mr. Chairman, for your consideration.