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House Education Committee

Testimony on HB 2393

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Thank you for the opportunity to appear in opposition to HB 2393, which relates to the implementation of accounting standards and reporting requirements for school.

As we reviewed this proposed legislation, the primary question we have is: ***what problem are we trying to solve?*** If there is a need for more detailed information at the district or state level, it seems a simple modification to how or what is reported to the Kansas State Department of Education (KSDE) would address the issue. If the concern is efficiency, the type of accounting system won't likely impact how money is spent. Day-to-day spending is driven by approved budgets.

School districts strive to be good custodians of taxpayer dollars and support transparency and accountability. Districts utilize uniform accounting practices as outlined in the Kansas Accounting Handbook for Unified School Districts prepared by KSDE. These practices were developed and reviewed by superintendents, assistant superintendents, business managers, certified public accountants, state association representatives and KSDE personnel. We believe this process or "system" presents useful and timely information on school district budgets in accordance with Kansas' education funding statutes.

Unlike the private sector, which prioritizes net income and earnings, reporting and auditing for school districts focuses on where money comes from and how it is spent (function). Expenditures are classified by function, with the KSDE chart of accounts providing guidance to promote consistency in reporting.

According to school audit reports, most errors identified are not from misclassification, but from interpretation about how to classify expenses. A new accounting system won't resolve this issue. Where there is a data entry function and an individual responsible making decisions, there is a chance for error.

We know, without a new accounting system, that there are variations in expenditures between buildings and districts. The greatest difference in building expenditures within a district is directly related to the salaries paid to the building's teachers and personnel. These variations may be attributed to experience, longevity and scope of duties. Other differences in expenditures from building to building are related to the number of special needs students and staff.

Building-to-building comparisons between districts are even more diverse due to the differences in salary schedules and student needs that are unique to each school district. The majority of Kansas' school districts are small enough that they have only two or three schools. Each of these schools educates a different level of student and thus has different education requirements and expenditures, further complicating the issue. When factoring in special education services, the variation in expenditures between districts is significant, yet understandable.

In Kansas, we have districts with enrollment as low as 68 FTE and as high as more than 46,000 FTE. The bill calls for enrollment categories – small, medium, and large – to be established for the purpose of implementing new accounting and payroll systems. The resources necessary for implementation of new systems in these districts will vary significantly.

As you consider HB 2393, we ask that you consider the following questions and concerns:

- Is there capacity at the district and state levels to comply with the reporting requirements of this bill? HB 2393 establishes extensive reporting requirements for school districts and State Board of Education.
- Who will be responsible for the cost(s) of implementing a new system and enhanced auditing requirements?
- The bill seems to suggest that districts will not be able to receive a waiver from Generally Accepted Accounting Principles (GAAP) requirements. Currently, there are only five Kansas school districts utilizing GAAP, in large part to satisfy requirements of bond rating agencies. GAAP is a complex and specialized accounting practice; most school districts in Kansas do not have individuals skilled in this area.

School leaders and legislators seem to agree that resources – both human and monetary – should be directed toward the classroom and those programs that support student learning. With that in mind, USA|Kansas encourages the committee to consider what information is desired from school districts and determine whether it is accessible within the current system. It may not be necessary to expend the time, money and personnel to implement a new system – rather, this may be an issue of training, reframing the question(s), and considering how information is presented.

Thank you for the opportunity to appear before you. USA|Kansas welcomes the opportunity to further discuss the concerns raised in our testimony.

The mission of USA|Kansas, through collaboration of member associations, is to serve, support and develop educational leaders and to establish USA|Kansas as a significant force to improve education.

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