

Approved: 2-20-95
Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairperson Kent Glasscock at 1:35 p.m. on February 15, 1995 in Room 521-S of the Capitol.

All members were present except: Representative Ted Powers

Committee staff present: Mike Heim, Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Fulva Seufert, Committee Secretary

Conferees appearing before the committee: Representative Michael O'Neal
Representative Gwen Welshimer, Written Only
James S. Maag, Senior Vice President, The Kansas Bankers Association, Written Only
Jeffrey D. Sonnich, Vice President, Kansas-Nebraska-Oklahoma League of Savings Institutions, Written Only
Bev Bradley, Deputy Executive Director-Kansas Association of Counties, Written Only
Larry Clark, CAE, Chair Legislative Committee-Kansas County Appraisers Association, Written Only
Coalition of Kansas Appraisers, Written Only
T.C. Anderson, Executive Director-Kansas Society of Certified Public Accountants, Written Only

Others attending: See attached list

Chairman Glasscock opened the meeting at 1:35 p.m. and announced the public hearing for **HB 2185**.

HB 2185 - An Act concerning cities and counties; relating to the consolidation of law enforcement and police protection; amending K.S.A. 19-4425 and 19-4426 and repealing the existing sections.

The Chairman recognized Representative Michael O'Neal who spoke in support of **HB 2185**, which would add Reno County to the statute that provided the original enabling legislation for Riley County to accomplish consolidation of local law enforcement functions.(Attachment 1).

Chairman Glasscock said since there were no opponents for **HB 2185**, the public hearing was closed. He thanked Representative O'Neal.

The Chairman announced that upon the request of the chief proponent of **HB 2145**, the committee would not work this bill, but would take written testimony only (Attachments 2, 3, 4, 5, 6, 7, 8).

HB 2145 An Act concerning real estate appraisers; relating to the certification and licensure thereof; amending K.S.A. 58-4103 and repealing the existing section.

Chairman Glasscock said that the public hearing for **HB 2145** was closed.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT, Room 521-S Statehouse, at 1:30 p.m. on February 15, 1995.

The Chairman asked the committee to turn its attention to HB 2142.

HB 2142 An Act concerning cities; relating to annexation; amending K.S.A. 12-523 and repealing the existing section.

Representative Gwen Welshimer moved that HB 2142 be passed out favorably. Representative Toelkes seconded.

Representative Sloan said that he had some amendments for HB 2142, because he wanted clarification and differentiation between voluntary and involuntary annexation. The Committee also wanted additional information, so the Chairman asked Mike Heim to address this issue.

Mike Heim briefly explained that cities can annex land under a unilateral statute and that's what he thought the land owners were trying to do. As a part of that unilateral statute, there is a procedure where land owners can petition to the city to be annexed. There is also a separate statute that allows petition by land owners contiguous where the land is not--it's a so-called island, so if a person lives 2 miles away from the city and has a development, he can petition the city. Then that petition has to go before the Board of County Commissioners, and the Board of County Commissioners has to approve it. It has to be petitioned for by a majority of the land owners in the area. The way the bill stands right now is that it would cover both the petitioned- for at the unilateral and the petitioned- for where it is an island-type annexation. In addition, Mike said that this bill would allow a protest petition when neither one of the above-mentioned situations occurs, but when the city either can't annex it on its own or decides that it's an issue they want to take to the Board of County Commissioners. They have to go through hearings, and it's a quasi-judicial kind of procedure. It's a little different than if they were doing it on their own. At that point in time, this, as it stands now, after the Board of County Commissioners approved the annexation, there would still be the protest. Mike said that it's a policy issue.

Representative Sloan moved to amend HB 2142 to apply only to unilateral annexation. Representative Tomlinson seconded. Motion passed.

Representative Feuerborn moved to table the motion and Representative Grant seconded. The motion passed.

Chairman Glasscock asked the Committee to turn its attention back to HB 2185. Representative Mays moved that HB 2185 be passed out favorably. Representative Hayzlett seconded.

Representative Sloan moved to amend HB 2185 by removing the county designation and making it include any county or state-wide in its effect. Representative Toelkes seconded. Motion not passed.

The Chairman then asked for a vote on the original motion made by Representative Mays that HB 2185 be passed out favorably. Motion passed.

The meeting adjourned at 2:40 p.m.

The next meeting is scheduled for February 16, 1995.

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

MICHAEL R. (MIKE) O'NEAL

104TH DISTRICT
HUTCHINSON/NORTHEAST RENO COUNTY

LEGISLATIVE HOTLINE
1-800-432-3924



OFFICE OF MAJORITY WHIP

CHAIRMAN:
JUDICIARY COMMITTEE

MEMBER:
SELECT COMMITTEE ON
JUVENILE CRIME
KANSAS JUDICIAL COUNCIL
UNIFORM LAW COMMISSION
NATIONAL CONFERENCE OF STATE
LEGISLATURES CRIMINAL JUSTICE
COMMITTEE

H.B. 2185
(CONSOLIDATION OF LAW ENFORCEMENT)
HOUSE LOCAL GOVERNMENT COMMITTEE
FEB. 15, 1995

Chairman Glasscock and members of the Committee, H.B. 2185, as drafted, would add Reno County to the statute that provided the original enabling legislation for Riley County to accomplish consolidation of local law enforcement functions. While Reno County has not yet taken action on the issue of consolidation, there has been sufficient interest in the subject voiced locally that it appears time to address appropriate enabling legislation.

Consolidation of local government functions is an important goal for policy makers at all levels of government. At the present time, for this type of consolidation to happen, there must be enabling legislation in place. I believe it would be prudent that the legislation be in place in advance of the final decision at the local level. That way, there would be no impediment standing in the way of implementation of the consolidation plan if and when the decision is made by local voters.

TOPEKA ADDRESS

STATE CAPITOL BLDG., SUITE 170-W
TOPEKA, KS. 66612-1504
913-296-7679

House Local Government
2-15-95
Attachment 1

HUTCHINSON ADDRESS

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HUTCHINSON, KS. 67504
(316) 662-0537

In the event interest in the subject of consolidation of law enforcement is limited to Reno County at the present time, the current bill is sufficient for our purposes. However, it would be my suggestion that the Committee consider removing the obstacle to consolidation in this area for all remaining counties in the state. As I understand it, the Riley County experience has been positive. Perhaps this legislation could serve as some incentive for others to consider the possible advantages of consolidation. I can imagine that the lack of statutory authority has been used on more than one occasion as an excuse not to discuss the advantages of consolidation.

Thank you for your thoughtful consideration of this proposal. At a minimum, please allow us to get the enabling legislation on the books for Reno County.

GWEN WELSHIMER
REPRESENTATIVE, EIGHTY-EIGHTH DISTRICT
SEDGWICK COUNTY
6103 CASTLE
WICHITA, KANSAS 67218
316-685-1930

DURING SESSION
LEGISLATIVE HOTLINE
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TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: TAXATION
LOCAL GOVERNMENT
ADMINISTRATIVE RULES & REGULATIONS

DATE: FEBRUARY 15, 1995
TO: REP. KENT GLASSCOCK, CHAIRMAN
MEMBERS, HOUSE LOCAL GOVERNMENT COMMITTEE
SUBJECT: HB2045 MANDATORY LICENSING OF REAL ESTATE APPRAISERS

KANSAS CITIZENS ASSUME THAT WHEN THEIR PROPERTY IS APPRAISED FOR A REAL ESTATE LOAN, ESTATE SETTLEMENT, TAX SETTLEMENT, OR DIVORCE, THAT THE APPRAISAL IS DONE BY A COMPETENT PERSON WHO HAS MET CERTAIN REQUIREMENTS TO PROVE CAPABILITY. THIS IS TRUE IN SOME STATES, BUT NOT IN KANSAS.

KANSAS CITIZENS ASSUME THAT WHEN THE U.S. SUFFERED THE CATASTROPHE OF \$500 BILLION IN BAD LOANS, THAT THE BLAME PLACED ON REAL ESTATE APPRAISERS FORCED LICENSING TO PREVENT THIS FROM EVER HAPPENING AGAIN. THIS IS TRUE IN SOME STATES, BUT NOT IN KANSAS.

KANSAS CITIZENS ASSUME THAT WHEN THEY BUY A HOUSE AND SECURE A LOAN THAT THE APPRAISAL IS ASSURANCE THAT THE HOUSE IS WORTH WHAT THEY ARE PAYING. THIS IS TRUE IN SOME STATES, BUT NOT IN KANSAS.

KANSAS CITIZENS ASSUME THAT WHEN THEY INVEST THEIR SAVINGS IN REAL ESTATE LOANS THROUGH KANSAS BANKS, THAT THE APPRAISAL ASSURES THEM THAT THE COLLATERAL IS ADEQUATE. THIS IS TRUE IN SOME STATES, BUT NOT IN KANSAS.

KANSAS CITIZENS ASSUME THAT REAL ESTATE APPRAISALS ARE ALL TOTALLY INDEPENDENT OF A TRANSACTION AND ARE NOT INFLUENCED BY PARTIES TO A TRANSACTION. THIS IS TRUE IN SOME STATES, BUT NOT IN KANSAS.

THE PURPOSE OF HB2145 IS TO GIVE KANSAS CITIZENS THE SECURITY THEY THINK THEY HAVE IN THE AREA OF REAL ESTATE APPRAISAL. THIS BILL WILL COST THE STATE NO MONEY. THIS BILL WILL NOT INCREASE THE SIZE OF STATE GOVERNMENT. WE ALREADY HAVE A REAL ESTATE APPRAISAL BOARD, A DIRECTOR, LICENSING STATUTES, AND SCHOOLS OFFERING THE COURSES, ALL DUE TO A FEDERAL MANDATE REQUIRING STATE LICENSING IN ORDER TO DO APPRAISALS FOR FEDERAL TRANSACTIONS.

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Attachment 2

OPPONENTS TO MANDATORY LICENSING WILL TELL YOU THAT LICENSED APPRAISERS ARE NOW NOT PRACTICAL, BECAUSE OF THE COST. HOWEVER, THE STANDARD COST OF A RESIDENTIAL APPRAISAL IS \$300 (SOME ARE LESS) AND OTHER LOAN COSTS SUCH AS TITLE POLICIES AND ORIGINATION FEES REQUIRE LESS WORK AND TIME, BUT COST MORE THAN THE APPRAISAL.

IT IS IMPORTANT TO NOTE THAT, IN ADDITION TO SKILL, LICENSING DEVELOPS ETHICS...ETHICS WHICH REQUIRE APPRAISERS TO INDEPENDENTLY AND TRUTHFULLY ESTIMATE VALUE WITHOUT INFLUENCE BY PARTIES REQUESTING THE APPRAISAL.

FOR THREE YEARS, KANSAS WORKED TO LICENSE APPRAISERS. FOR THE PAST YEAR, THE TREND HAS BEEN NOT TO HIRE AN APPRAISER IF LICENSED. APPRAISERS ARE BEGINNING TO DROP THEIR LICENSES IN ORDER TO GET WORK. THIS WILL STEADILY ERODE FEE INCOME TO THE KANSAS REAL ESTATE APPRAISER BOARD. IT IS QUITE LIKELY THAT IN THE NEXT THREE YEARS, THE BOARD WILL HAVE TO BE FUNDED WITH TAXPAYER DOLLARS IN ORDER TO COMPLY WITH THE FEDERAL MANDATE FOR STATES TO LICENSE APPRAISERS FOR FEDERAL TRANSACTIONS.

WITHOUT MANDATORY LICENSING OF REAL ESTATE APPRAISERS, WE WILL SEE A CONTINUAL EROSION OF THE ECONOMIC BASE OF OUR STATE. MANDATORY LICENSING SHOULD BE STATE LAW, AND SHOULD HAVE BEEN SO A LONG TIME AGO.

HB 2145, IN ITS CURRENT FORM, NEEDS TO BE AMENDED TO EXCLUDE ATTORNEYS AND CPA'S IN THEIR NORMAL COURSE OF WORK FOR THEIR CLIENTS, AND TO EXCLUDE REAL ESTATE LICENSEES IN THE NORMAL PERFORMANCE OF MARKET ANALYSES FOR THEIR CUSTOMERS. IT ALSO NEEDS TO BE AMENDED TO ALLOW FOR THOSE APPRAISERS WHO HAVE DROPPED THEIR LICENSES TO BE REINSTATED WITH UPDATING OF CONTINUING EDUCATION AND FEES, BUT WITHOUT PENALTY, TESTING, AND RESUBMITTING EDUCATION AND EXPERIENCE.

PLEASE GIVE THIS BILL THE SERIOUS ATTENTION IT DESERVES.

Gwen Welshimer



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association ...

February 15, 1995

TO: House Committee on Local Government
RE: HB 2145 - Certification and Licensure of Appraisers

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the committee for a discussion of the provisions of HB 2145. The Kansas Bankers Association believes that HB 2145 would be detrimental to purchasers of residential and commercial real estate in Kansas and would create additional unnecessary bureaucracy at the state level.

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) set certain requirements which states must meet relating to appraisal practices and the qualifications for appraisers. Subsequent Congressional legislation and rules and regulations promulgated by federal financial regulatory agencies have now clearly defined the guidelines which banks must follow relating to appraisals.

Regulations adopted by all bank regulatory agencies as of this date require appraisals by licensed or certified appraisers on all "federally related" transactions where the dollar amount exceeds \$250,000. For transactions below that amount banks may use "evaluations" which do not require a licensed or certified appraiser. This threshold was determined after in-depth studies by the federal agencies as to what dollar level was appropriate to ensure safety and soundness in a bank's lending practices.

That threshold is particularly significant in a state like Kansas where a very high percentage of all residential home sales and many commercial and agricultural loans would fall below the \$250,000 level. This has resulted in meaningful savings of time and money to loan customers throughout the state without creating any safety and soundness problems for banks.

There are many instances where a licensed or certified appraisal may be sought anyway on a transaction of less than \$250,000 if the loan is to be sold in the secondary market, but banks and their customers should have the flexibility to

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Attachment 3

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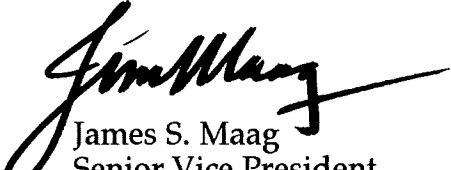


decide whether something more than an evaluation is needed. Thus the present regulations are a savings of both time and money in many instances for purchasers of real estate.

HB 2145 would eliminate this rational and practical approach by requiring that all loan transactions have an appraisal by a licensed or certified appraiser. For the reasons stated above we believe such legislation is not only unnecessary but detrimental to all Kansans purchasing real estate. The argument that faulty appraisals were responsible for the collapse of much of the s&l industry during the 1980s is simply not true. Extensive studies have shown other factors were far and away the leading causes of those massive failure. In addition, there is absolutely no evidence that bad appraisals were a factor in the closing of any of the dozens of Kansas banks during the 1980s.

We do not believe that legislation which would cost Kansans additional dollars and a loss of time in closing a real estate transaction without any corresponding benefit to them is not in the best interests of this state and we would respectfully request that the committee recommend **HB 2145** unfavorably.

Again we appreciate this opportunity to discuss this important matter with the committee and we will be happy to answer any questions or provide any information which the committee requests.



James S. Maag
Senior Vice President



Jeffrey D. Sonnich, Vice-President

700 S. Kansas Ave., Suite 512
Topeka, Kansas 66603
(913) 232-8215

February 15, 1995

TO: House Committee on Local Government
FR: Jeffrey Sonnich
RE: HB 2145

Mr. Chairman. Members of the Committee. The Kansas-Nebraska-Oklahoma League of Savings Institutions appreciates the opportunity to appear before the Committee on Local Government to comment on HB 2145.

Officially the League is neutral on the issue of mandatory licensing and certification, although we have generally been supportive of stringent appraisal rules and regulations. Historically, we have been required to adhere to a stricter appraisal standard than our commercial banking counterparts. That changed with the enactment of the Financial Institutions Reform Recovery and Enforcement Act (FIRREA) of 1989. Title XI of FIRREA required the use of licensed and certified appraisers in certain federally related transactions above a certain transaction amount. The transaction amount was initially \$50 thousand dollars, but has been systematically increased over the years to \$250 thousand dollars. Obviously, this high threshold exempts many loans from the appraisal requirements.

The Secondary market, FANNIE MAE and FREDDIE MAC, have also had an influence on the use of licensed and certified appraisers. Currently, FANNIE and FREDDIE require appraisals conducted by licensed appraisers on all loans they purchase. Since many lenders originate loans for sale on the secondary market the use of appraisal conducted by licensed appraisers is common. We speculate that these requirements may change in the near future.

Regardless, the use of appraisals is an integral part of the mortgage lending underwriting process. As the appraisal requirements systematically unravel, our only concern lies in the accessibility of quality appraisers. Should that become a problem in the future, necessary changes should be explored.

We appreciate the opportunity to express our views on HB 2145.

Jeffrey D. Sonnich
Vice President

JDS:cip

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2-15-95
Attachment 4



**KANSAS
ASSOCIATION
OF COUNTIES**

"Service to County Government"

215 S.E. 8th
Topeka, Kansas 66603-3906
(913) 233-2271
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EXECUTIVE BOARD

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210 S. National
Fort Scott, KS 66701
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Merriam, KS 66202
(913) 432-3784

Nancy Hempen
Douglas County Treasurer
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Roy Patton
Harvey County Director of Special Projects
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Ethel Evans
Grant County Commissioner
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Eldon Hoyle
Geary County Commissioner
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Junction City, KS 66441
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William Leach
Cheyenne County Commissioner
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NACo Representative
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Riley County Appraiser
110 Courthouse Plaza
Manhattan, KS 66502
(913) 537-6310

Darrell Wilson
Saline County Sheriff
300 W. Ash
Salina, KS 67401
(913) 826-6500

Executive Director
John T. Torbert, CAE

To: Representative Kent Glasscock, Chairman
Members House Local Government Committee

From: Bev Bradley, Deputy Executive Director
Kansas Association of Counties

Re: HB 2145

The Kansas Association of Counties is opposed to HB 2145 in the current form. If county appraisers are included, we believe there are not enough appraisers available to provide appraisers and staff for all counties so that they could meet the requirements of this proposal. As we understand the current regulations, the provisional license lasts only one year. In addition, county appraisers must be trained in mass appraisal, which I understand to be somewhat different than the training required to become a state certified or licensed appraiser. The standards for this certification are on track to be changed, which in itself will make meeting the standards much more difficult for county appraisers. We are not opposed to education and training for any county official, but it needs to be useful, as well as practical training.

We are told there are fewer than 35 county appraisers who would currently meet the standards set out in this bill. The time and money are simply not available to bring everyone in compliance.

The Kansas Association of Counties requests this bill NOT be passed out of committee.

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Attachment 5

KANSAS COUNTY APPRAISERS ASSOCIATION

P.O. Box 1714

Topeka, Kansas 66601

HOUSE BILL 2145

To: House Local Government Committee

From: Larry Clark, CAE, Chair Legislative Committee

Date: February 15, 1995

The Kansas County Appraisers Association supports attempts to elevate the appraisal profession as long as everyone has equal access to the means of such elevation. Appraisal certificates and licenses provide a means for the public to assess the capability of real estate professionals they hire. They also provide immediate credibility for the work product of licensed appraisers. That is the reason so many county appraisers and staff members have taken the steps necessary to secure those licenses.

Unfortunately there are those in the appraisal profession who do not recognize mass appraisal on a par with single property appraisal. Recent changes in licensing regulations have made it extremely difficult for anyone who is dedicated solely to mass appraisal to obtain a general license. The appraisal board recently voted to further restrict access by mass appraisers by allowing only 500 hours of mass appraisal experience to be applied to the 2,000 hours of experience needed to obtain a general license. If and when that regulation takes effect, it will virtually shut out mass appraisers from being able to secure licensing. The combination of that regulation and this legislation will make it impossible for county appraisal staff to issue an appraisal opinion.

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Attachment 6

DATE: February 15, 1995

TO: House Government Operations Committee

FROM: Coalition of Kansas Appraisers

Although there has been a positive response to the idea of mandatory licensing of appraisers in Kansas, the coalition which is made up of members from Chapters of various Appraisal Organizations and independent appraisers has not studied the effects of this particular bill. Therefore, at this time the coalition is not able to take a position one way or another. The bill has not actually been the subject of any discussion at Appraisal Chapter meetings. While some of the surrounding states do have mandatory licensing, the effect on our existing structure in Kansas has not been thoroughly studied at this time. The coalition, therefore, at this time is not taking a position on this bill.

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Attachment 7



**Kansas Society of
Certified Public Accountants**

400 CROIX / P.O. BOX 5654 / TOPEKA, KANSAS 66605-0654 / 913-267-6460 / FAX 913-267-9278

Testimony on HB 2145

Presented to the
House Committee on Local Government

by

T.C. Anderson
Executive Director

February 15, 1995

House Local Government
2-15-95
Attachment 8

Chair Glasscock, members of the Committee:

I am T.C. Anderson, Executive Director of the 2,300 member Kansas Society of Certified Public Accountants. I appreciate the opportunity to appear before you today to discuss my organization's concerns with HR 2145.

Three or four years ago the Kansas Legislature passed legislation mandating the Real Estate Appraisal Board determine if the state of Kansas should implement mandatory licensing or certification of appraisers. Following hearings and the receiving of testimony from interested groups, the Real Estate Appraisal Board determined there was no public policy reason for such licensing or certification.

I doubt if, in such a short period of time since the Real Estate Appraisal Board issued its finding, conditions have changed to now warrant such certification or licensure.

The following position statement represents the opposition of the Kansas Society to licensing or certification of persons who offer or provide business valuation and personal property appraisal services.

BUSINESS/PERSONAL PROPERTY VALUATIONS

If business valuations or personal property appraising are practices that would be covered by HR 2145, CPAs would be affected in a number of ways. They would be subject to further regulation, and additional licensing, examination and continuing education requirements. This would add substantial costs to the CPAs' practice and result in increased fees to their clients without any demonstrated benefit.

NO NEED FOR REGULATION

The KSCPA strongly believes that government regulation of appraisal professionals is unnecessary and ill-suited to business and personal property valuation services. It would be counter-productive for the valuation professional and general public for several reasons. These reasons are summarized as follows:

There is no compelling public policy reason for regulating valuation professionals or personal property appraisers.

Courts have long established that there must be necessary public policy reasons for regulating a profession or occupation. This is because government regulation inherently restricts individuals' rights to practice their occupation. With respect to business and personal property valuation practices, no such nexus has been established.

Congressional hearings on the savings and loan crisis found unacceptable levels of abuse and fraud in the performance of real estate appraisals for savings and loan institutions. However, similar levels of abuse and fraud have not been found to exist with respect to business valuations and personal property appraisals. Also, no other state or federal investigatory agency has asserted any significant problems or deficiencies in the performance of such services.

In fact, there is no evidence that faulty business valuations or personal property appraisals have caused losses to the federal government and taxpayers, or harm to large groups of consumers or private firms.

Regulation of business and personal property valuations would be difficult to administer and enforce.

Licensing requirements to perform particular services are generally designed to provide significant assurance that those who undertake to perform such services have a minimal level of professional competency. This assurance is generally provided by requiring, as a condition of licensure, a demonstration of skill and knowledge. Typically, this is accomplished by means of examinations, education requirements and, in some situations, experience.

It would be impractical to create effective educational programs and regulatory standards for business and personal property valuation services necessary to ensure a minimal level of professional capability. This is because the skills and knowledge to be tested cover an overly wide range of valuation types for business and personal property.

Business and personal property valuations require extensive knowledge specific to the different businesses and properties being valued. There are a number of business and property categories including commercial, industrial, recreational and many others. Each property or business type requires the application of different theories, principles and techniques by the practitioner.

No single individual could be competent or have expertise in all business and property valuation areas. If licensing were to be required for business valuations, each potential category would require separate educational requirements, exams and experience requirements. This is obviously impractical and undesirable.

This same situation exists for personal property valuations. There is almost an infinite variety of types of personal property. Either a corresponding number of licensing designations would have to be established for each category of personal property valuations, or the appraiser would have to be knowledgeable about an infinite number of specialty areas.

Moreover, there are no standard rules about how specific personal property can be used. With real estate, there are known rights, restraints and responsibilities associated with ownership.

The definition of "business valuations" and "personal property appraisals" vary as well. To avoid confusion to the public, if the field were regulated there would have to be universal agreement on the terms to avoid burdensome reciprocity requirements.

Regulating business and personal property appraisers would be impractical because both business and personal property valuation services are more of an art than an exact science.

These valuations require a need to apply knowledge, experience and professional judgment in adapting valuation methods to specific situations. Both services are very specialized and often relate to the particular situation more than the individual market.

CPAs who perform business and personal property valuations are already sufficiently regulated.

Extensive regulation already exists for CPAs and CPA firms who provide business and personal property valuations. Additional government regulation of these valuation areas would duplicate CPA licensure and regulation and add unnecessary additional burdens on CPAs and CPA firms.

CPAs are licensed and regulated at the state level by an independent board of accountancy. CPAs must meet strict licensing, continuing education and professional ethical requirements in order to practice and maintain their license to practice. These laws are designed to protect the public from fraud, incompetence and conflict of interest. To enforce this responsibility, the board has been granted the authority to revoke the license or certificate of CPA and to impose other forms of penalties.

In addition, the state accountancy board has regulatory authority over a CPA for all services provided to the public as a CPA. This includes valuations, management consulting and any non-traditional accounting service.

A majority of Kansas CPAs belong to the American Institute of Certified Public Accountants (AICPA), a national professional association of CPA and the KSCPA. In so doing, they must meet their strict ethical and professional conduct requirements. Also, since business valuations and appraisals are considered a management advisory service (MAS) within the profession, members who perform such services must comply with the MAS standards and guidelines developed by the AICPA.

CONCLUSION

As outlined, it would serve no useful purpose to regulate business and personal property valuation professionals. There is no demonstrated public need for such regulation. In addition, it would be nearly impossible to define the terms and develop licensing standards due to the wide variation and inexact nature of the practices. CPAs who perform such services are already sufficiently regulated.

* * * *