

Approved:

March 7, 2000

Date

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 3, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD
Rae Anne Davis, KS Legislative Research Department
Debra Hollon, KS Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Asst. Revisor of Statutes
Judy Bromich, Administrative Assistant to the Chairman
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

T.C. Anderson, Kansas Society of Certified Public Accountants
Randy Allen, Executive Director, Kansas Association of Counties
Commissioner Lonie Addis, Labette County Commissioner & President of the County Commissioners Association
Rebecca Bossemeyer, Geary County Clerk and Chairman of the County Clerks' Association Legislative Committee
Ken Davis, City of Countryside, Johnson County
Don Moler, League of Kansas Municipalities
Pat Lehman, Kansas Parks and Recreation
Diane Smith, Dietician from the Kansas City area
Angela Prettyman, Dietician from the Kansas City area

Others attending: See attached list

Sn. Sub for HB 2476: Kansas partnership for faculty of distinction program, state educational institutions

Two informational documents on **Sn. Sub. For HB 2476** prepared by the Kansas Legislative Department were distributed to members (Attachment 1 and Attachment 2). Members expressed support for the concept proposed in the bill, but expressed concern about potential budgetary constraints in FY 2002. Senator Salisbury moved, Senator Morris seconded that Sn. Sub. For HB 2476 be recommended favorably for passage. Senator Ranson offered a substitute motion which was seconded by Senator Lawrence that the effective date in Sn. Sub for HB 2476 be changed to July 1, 2001. The substitute motion carried on a show of hands.

Senator Ranson moved, Senator Jordan seconded, that Sn. Sub for HB 2476 as amended be recommended favorably for passage. The motion carried on a roll call vote.

SB 635: Municipal accounting training program abolished

Paul West, Kansas Legislative Research Department, explained that **SB 635** implements one of the Governor's recommendations to eliminate the Municipal Accounting and Training Services Office in the Division of Accounts and Reports within the Department of Administration. He added that it strikes statutory references to duties for that group: the forms and procedures that were the responsibility of the Office would become the responsibility of local units of government and the Board of Regents.

Mr. T.C. Anderson, Executive Director of the Kansas Society of Certified Public Accountants, appeared before the Committee to request that if **SB 635** is recommended favorably for passage that the Committee

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

consider not repealing K.S.A. 75-1123 which provides statutory authority for the Kansas Municipal Audit Guide. Mr. Anderson provided a copy of his proposed amendment (Attachment 3) and stated that since 1997 the Kansas Society of CPAs has edited and printed the Kansas Municipal Audit Guide although it is prescribed by the Director of Accounts and Reports.

Mr. Randy Allen, Executive Director of the Kansas Association of Counties, appeared before the Committee in opposition to **SB 635** and reviewed his written testimony (Attachment 4). Mr. Allen commended the work of the Municipal Accounting section and stated that if the Office is abolished, entities who have questions about budget preparations will have to go to county clerks, CPA firms, etc.

Mr. Lonie R. Addis, Labette County Commissioner and President of Kansas County Commissioners Association, presented written testimony in opposition to **SB 635** (Attachment 5), and told members that every municipality uses this service and it helps elected officials perform in a fiscally responsible manner. Commissioner Addis included a letter of appreciation written in 1995 to the Municipal Accounting section to indicate that his interest has not developed in reaction to the threat of its abolishment.

Ms. Rebecca Bossemeyer, Geary County Clerk, testified in opposition to **SB 635** and distributed copies of her written testimony (Attachment 6). She stated that local units of government depend on the municipal accounting team to keep them up to date on changes made by the Legislature.

Ken Davis, Mayor, City of Countryside, Kansas, presented and reviewed written testimony in opposition to **SB 635** (Attachment 7).

Mr. Don Moler, Executive Director of the League of Kansas Municipalities, provided written testimony in opposition to **SB 635** (Attachment 8). He told members that, while the overall line item is about \$250,000 for the Municipal Accounting Section, the actual amount of savings to the SGF is \$155,454. He stated that \$100,000 is paid through fees generated by services. Senator Ranson inquired whether the entities who use the services provided by the Municipal Accounting Section would be willing to pay higher fees. Mr. Moler and Mr. Allen stated that the suggestion had not been made before, and they would be happy to talk about it.

Pat Lehman, representing the Kansas Recreation and Park Association, reviewed written testimony in opposition to **SB 635** (Attachment 9).

Written testimony in opposition to **SB 635** was distributed to members on behalf of Pottberg, Gassman and Hoffman, Chartered CPAs (Attachment 10).

Chairman Kerr stated that because there seemed to be an interest in increasing fees in order to sustain the Municipal Accounting Section, he would have an amendment drawn up and requested that conferees call him with any suggestions.

Senator Morris moved, Senator Salmans seconded, that bill draft 9rs 2274 be introduced as requested by Senator Morris. The motion carried on a voice vote.

Sub HB 2323: State agencies; methods of payment of fees, tuition and other charges

Paul West, Kansas Legislative Research Department, reviewed the supplemental note on **Sub HB 2323**. There was some conversation about the history of this bill, and it was noted that the policy issue is how to impose fees to recover costs incurred because of the method of payment.

Diane Smith, a licensed dietician from the Kansas City area, appeared before the Committee in support of **Sub HB 2323**. She reviewed her written testimony (Attachment 11).

Angela Prettyman, a licensed dietician from Overland Park, Kansas, presented written testimony in support of **Sub HB 2323** (Attachment 12).

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

Sabrina Wells submitted written testimony on behalf of the Kansas Insurance Department, noting that the agency's concerns about the original bill had been addressed by the House Committee (Attachment 13).

Written testimony submitted by Thomas M. Rawson, Chairman of the Board of Regents' Council of Business Officers, was distributed to members (Attachment 14). Mr. Rawson's letter expressed support of the ability to accept payment by credit card and to impose additional fees to recover actual costs associated with the method of payment. Committee members expressed concern, however, about being out of compliance with the Universal Consumer Credit Code.

The Chairman noted that he believed there was an interest on the part of the Committee to provide a means to allow professionals to pay license fees with personal checks. He stated that the Committee would try to address the issue after further research involving compliance with the UCCC.

Senator Feleciano distributed copies of a memorandum from Barbara Tombs, Executive Director of the Kansas Sentencing Commission, regarding possible actions that could be taken by the Legislature to address the need for additional prison bed construction (Attachment 15).

The Chairman adjourned the meeting at 12:05 p.m. The next meeting is scheduled for March 6, 2000.

SENATE WAYS & MEANS COMMITTEE GUEST LIST

DATE: March 3, 2000

NAME	REPRESENTING
Louis Chabwa	Budget
Randy Allen	Kansas Association of Counties
Bill Henry	Ks Gov. Consulting
Jon Jossand	KU
JOE Rossillon	ESU
Jerry Cleaver	Washburn
Lonic R. ADDU	^{Lib + HP} Kansas Co. Comm. Assn.
Whitney Damon	KC, KS/NYCO
Roy Bird	Kansas State Library
Sherril L. Rebel	Allen County Clerk - KACC
Sabrina Wells	Insurance Department
Jerry Farley	Washburn University
John Pinojar	Washburn University
Karen Persinger	Osage County Clerk
Wayle Landoll	Marshall County Clerk
Rebecca Bassmeyer	Henry County Clerk
Pot Sidebottom	Bd. of Healing Arts
Charlene Abbott	" "
Barbara Britts	Dept of Admin
Walo Branton	" " "

Senate Substitute for
House Bill No. 2476

Minimum Qualifying Gift to Institution
Community Colleges/Technical Colleges/Vocational
Education Institutions: \$50,000
ESU/FHSU/PSU/Washburn: \$200,000
WSU: \$350,000
KU/KSU: \$500,000

When gift
received, CEO of
institution notifies
Board of Regents

Board of
Regents
determines
whether gift
qualifies, and
certifies date
and amount
of gift to
Director of
Accounts
and Reports;
\$30.0 million
cap on
annual
certification
amounts,
\$10.0 million
per institution
cap

On July 1 of fiscal year following receipt of
gift, Director of Accounts and Reports
transfers income earnings equivalent award
to appropriate fund; annual SGF demand
transfer cap of \$5.0 million

Funding
transferred to
the Faculty of
Distinction
Program
Fund of the
Board of
Regents for
other eligible
institutions,
and
subsequently
provided to
institution

Funding
transferred to
appropriate
account of
the Faculty of
Distinction
Matching
Fund of the
Regents
institution

Institutional
CEOs report
annually to
Board of
Regents on
use of funds

Board of
Regents
develops
assessment
tool and
reports
findings of
assessment
of success of
program to
the
Legislature
annually

**Senate Substitute for House Bill No. 2476
Kansas Partnership for Faculty of Distinction Program**

- The program is designed to encourage gifts by private donors to enhance the ability of institutions to attract and retain faculty of distinction. The state would contribute income earnings equivalent awards to supplement the endowed professorships.
- Eligible institutions include: any state educational institution, municipal university, community college, technical college or vocational education institution under the governance or coordination of the Board of Regents.
- "Qualifying gift" means either a single monetary donation from a single donor or entity or a joint monetary donation from two or more donors or entities that are directly related or associated and that is received by an institution's endowment association for the purpose of an endowing a professorship at the eligible institution. Minimum eligible qualifying gifts vary by institution:
 - \$50,000 for community colleges, technical colleges and vocational education institutions;
 - \$200,000 for Fort Hays State University, Emporia State University, Pittsburg State University, and Washburn University;
 - \$350,000 for Wichita State University; and
 - \$500,000 for the University of Kansas and Kansas State University
- The income earnings equivalent award for an endowed professorship is to be determined by the Director of Accounts and Reports and is to be the amount of interest earnings that the amount of the qualifying gift would have earned at the average net earnings rate of the Pooled Money Investment Board portfolio for the period for which the determination is being made.
- Each eligible institution would establish a faculty of distinction matching fund, with a separate account for each endowed professorship.
- The Chief Executive Officer of the institution is required to notify the Board of Regents when a qualifying gift is received; the Board would determine whether the gift qualifies, and would certify to the Director of Accounts and Reports the amount and date of receipt of the gift and the endowed professorship account established.

- On July 1 of the fiscal year following certification of receipt of a qualifying gift, the Director of Accounts and Report is required to transfer the amount determined to be the earnings equivalent award for such qualifying gift for the period of time between the date of certification and the first day of the ensuing fiscal year from the State General Fund to either:
 - the endowed professorship account of the faculty of distinction matching fund in the case of a state educational (Regents) institution; or
 - the faculty of distinction program fund of the Board of Regents in the case of other qualifying institutions.
- The transfer shall be considered a demand transfer from the State General Fund.
- The total amount of new qualifying gifts which may be certified for any fiscal year is capped at \$30.0 million; the total for any one qualifying institution is capped at \$10.0 million; and the State General Fund earnings equivalent award is capped at \$5.0 million for a fiscal year.
- The Chief Executive Officer of each institution would be required to provide a salary and full-time position for the endowed professorship and to provide to the Board of Regents an annual accounting of the amounts and purposes of all expenditures of moneys transferred to the Faculty of Distinction matching fund at each institution.
- The Board of Regents is required to develop and conduct an ongoing assessment of the program on or before the first day of the fiscal year during which the total State General Fund demand transfer is greater than or equal to \$4.0 million. The assessment would be presented to the Legislature at the beginning of each regular session and would include evaluations of:
 - the effectiveness of the program to increase private gifts and attract and retain professors to distinction;
 - the economic impact of the program on the institution and the state; and
 - other appropriate factors determined by the Board of Regents.
- The Board of Regents estimates a first year fiscal note ranging from \$202,000 to \$1.6 million from the State General Fund. The lower amount is based on each of the 37 eligible institutions receiving the minimum qualifying gift amount at a Pooled Money Investment Board rate of 5.46 percent; the higher amount is based on the \$30.0 million annual cap contained in the bill. Over time, the annual \$5.0 million cap on transfers would probably be reached.



Kansas Society of Certified Public Accountants

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

Proposed amendment to SB 635

Session of 2000

SENATE BILL No. 635

By Committee on Ways and Means

2-15

9 AN ACT concerning municipal accounting; amending K.S.A. 12-896, 19-
10 508a, 19-3622, 75-1119, 75-1120, 75-1120a, 75-1122, 79-2925, 79-
11 2927, 79-2929, 79-2929a, 79-2930, 79-2960 and 79-5111 and K.S.A.
12 1999 Supp. 12-1927, 71-211, 75-2556 and 79-2005 and repealing the
13 existing sections; also repealing K.S.A. 75-1121, 75-1123, 75-1124, 75-
14 3736, 79-2808, 79-2917 and 79-2926.

Instead of repealing K.S.A. 75-1123, amend it to read:

75-1123. Municipal audit guide for certain audits; installation of standardized accounting system. In conducting examinations and audits provided for by K.S.A. 10-1208, 12-866, ~~13-1243, 13-1412~~ or 75-1122, and amendments thereto, the licensed municipal public accountant or certified public accountant so engaged shall follow the municipal audit guide, or the applicable portions thereof, ~~prescribed by the director of accounts and reports. The municipality so audited shall install and put such standardized accounting system into effect as soon as possible after such audit.~~

referenced by rule and regulation of the board of accountancy.

History: L. 1935, ch. 275, § 13; L. 1941, ch. 352, § 2; L. 1953, ch. 375, § 89; L. 1974, ch. 364, § 19; L. 1980, ch. 64, § 5; L. 1994, ch. 274, § 9;

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment #

3

(5) A CPA's fees may vary depending on the complexity of services rendered. (Authorized by and implementing K.S.A. 1997 Supp. 1-202(c)(1); effective May 1, 1978; amended July 13, 1992; amended Jan. 8, 1999.)

74-5-202. Auditing standards. A certified public accountant or a licensed municipal public accountant shall not permit the accountant's name to be associated with financial statements in such a way as to imply that the accountant is acting as an independent certified public accountant or licensed municipal public accountant with respect to the financial statements unless the accountant has complied with applicable, generally accepted auditing standards as interpreted by statements on auditing standards issued by the American institute of certified public accountants in the "AICPA professional standards," Volumes 1 and 2, as in effect on June 1, 1998, and the 1998 revised Kansas municipal audit guide prescribed by the municipal accounting section of the division of accounts and reports, department of administration. Any accountant who does not conform to those standards shall provide justification for this departure. (Authorized by and implementing K.S.A. 1997 Supp. 1-202(c)(1) and K.S.A. 75-1119(a); effective Jan. 1, 1966; amended Jan. 1, 1972; amended Jan. 1, 1974; amended May 1, 1978; amended, E-82-27, Dec. 22, 1981; amended May 1, 1982; amended May 1, 1985; amended May 1, 1986; amended May 1, 1987; amended May 1, 1988; amended May 22, 1989; amended Jan. 7, 1991; amended July 13, 1992; amended Aug. 23, 1993; amended Sept. 26, 1994; amended Jan. 12, 1996; amended Sept. 25, 1998.)

74-5-203. Accounting principles. (a) Except as provided in subsection (b), a certified public accountant or a licensed municipal public accountant shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if the financial statements depart from those accounting principles in any way that materially affects the financial statements as a whole.

(b) Any certified public accountant or licensed municipal public accountant may express an opinion as described in (a) if the accountant demonstrates that, due to unusual circumstances, the financial statement would otherwise be misleading. In such a case, the accountant's report shall describe the following:
 (1) the departure;

(2) the approximate effects, if practicable; and
 (3) the reasons why compliance with the principle would result in a misleading statement.

(c) For purposes of this regulation, "generally accepted accounting principles" shall be considered to be pronouncements issued by the financial accounting standards board in its general and industry standards publications as in effect June 1, 1998. (Authorized by and implementing K.S.A. 1997 Supp. 1-202(c)(1) and K.S.A. 75-1119(a); effective Jan. 1, 1966; amended Jan. 1, 1974; amended May 1, 1978; amended, E-82-27, Dec. 22, 1981; amended May 1, 1982; amended May 1, 1985; amended May 1, 1986; amended May 1, 1987; amended May 1, 1988; amended May 22, 1989; amended Jan. 7, 1991; amended July 13, 1992; amended Aug. 23, 1993; amended Sept. 26, 1994; amended Jan. 12, 1996; amended Sept. 25, 1998.)

74-5-301. Confidential client information. (a) A certified public accountant shall not, without the consent of the certified public accountant's client, disclose any confidential information pertaining to the client obtained in the course of performing professional services.

(b) This regulation shall not be construed as having any of the following purposes:

(1) Relieving a certified public accountant of any obligation under K.A.R. 74-5-202 and K.A.R. 74-5-203;

(2) affecting in any way the certified public accountant's obligation to comply with a validly issued subpoena or summons enforceable by order of a court;

(3) prohibiting disclosure in the course of a peer review of a certified public accountant's professional services; or

(4) precluding a certified public accountant from responding to any inquiry made by the board of accountancy or by any investigative or disciplinary body established by law or formally recognized by the board.

(c) Members of the board of accountancy and professional practice reviewers shall not disclose any confidential information that comes to their attention from certified public accountants in the course of disciplinary proceedings or in carrying out their official responsibilities, except that they may furnish confidential information to any investigative or disciplinary body referenced in subsection (b). (Authorized by K.S.A. 1997 Supp. 1-202;

ments thereto. The bonds may be in coupon or registered form and interchangeable, and shall have such other terms and provisions as the municipality provides by ordinance, resolution or trust agreement.

In no case where revenue bonds are issued under and by virtue of this act shall the total amount received therefrom be in excess of the actual cost of the project plus capitalized interest for up to six months after completion of the plant or facility and reasonable reserves and issuance expenses. No municipality shall have any right or authority to levy taxes to pay any of the principal of or interest on any revenue bonds or any judgment against the issuing municipality on account thereof. The provisions of K.S.A. 10-113, and amendments thereto, shall not apply to any bonds issued hereunder.

History: L. 1947, ch. 107, § 7; L. 1949, ch. 117, § 3; L. 1968, ch. 135, § 2; L. 1970, ch. 64, § 8; L. 1978, ch. 99, § 8; L. 1979, ch. 47, § 3; L. 1983, ch. 49, § 40; May 12.

Source or prior law:
12-805f.

Research and Practice Aids:
Municipal Corporations ¶ 925.
C.J.S. Municipal Corporations § 1941.

Law Review and Bar Journal References:
Increased bond interest rates under 1968 amendments discussed, Robert F. Bennett, 37 J.B.A.K. 159, 162 (1968).
"Open Meetings Profile: The Prosecutor's View," Bradley J. Smoot and Louis M. Clothier, 20 W.L.J. 241, 255 (1981).

CASE ANNOTATIONS

1. Ordinance, notice of election and ballot must show statute under which election held. *Eastern Kansas Utilities, Inc. v. City of Paola*, 165 K. 558, 564, 567, 570, 196 P.2d 199.

10-1208. Rates, fees and charges; depreciation or renewal and replacement fund; reserve fund; annual audit, filing; billing and collection of sewer service charges; discontinuance of water service. (a) The governing body or other proper officers having the control and management of the utilities of such municipality shall provide for the payment of such bonds by fixing rates, fees or charges for the use of or services rendered by such utility, which rates, fees or charges shall be sufficient to pay the cost of operation, improvement and maintenance of the utility, and provide either a depreciation fund or a renewal and replacement fund, provide a reserve fund and pay the principal of and the interest upon such bonds when due. Rates, fees and charges for the use of or services rendered by any interceptor

sewer utility, including the cost of construction, alteration, repair or reconstruction of any such interceptor sewer utility, shall not be based on strength or volume of sewage to be carried in any interceptor sewer of such utility. The rates, fees and charges for the use of or services rendered by any sewage disposal plant utility may be based in part upon the strength or volume of sewage contributed.

(b) The municipality shall cause an audit to be made annually by a licensed municipal public accountant or certified public accountant of the operation of any utility for which revenue bonds have been issued by the municipality. If the audit discloses that proper provision has not been made for all of the requirements of this section, then the governing body or other officers having the control and management of the utilities of such municipality shall promptly proceed to cause to be charged for the utility service rendered rates which will adequately provide for the requirements of this section. Within one year after the audit period of the audit, a copy of the audit report shall be filed with the clerk of the municipality and shall be open to public inspection.

(c) If the municipality does not own the waterworks system serving it and has instituted sewer service charges and rates for the use of its sanitary sewage system utility under this section, it may contract with any corporation owning the waterworks system serving such municipality for the billing and collection of sewer service charges in conjunction with the billing and collection of water charges, and such corporation shall have the power to contract for such billing and collection of sewer service charges. The terms of such contract shall be such as may be reasonable under the circumstances including the payment of reasonable compensation for the services rendered in billing and collecting such sewer service charges and may include a provision that water service to any customer using or required by law to use the sewage facilities of the municipality, except the youth center at Atchison, shall be discontinued, at the direction of the municipality, in the event of such customer's failure to pay sewer service charges, and such water company shall have the power to discontinue such water service under such circumstances.

(d) If the municipality owns and operates both the waterworks system and sanitary sewer system serving such municipality and it has instituted sewer rates, fees, and charges under

this section, it may combine the billing and collection of the charges for both such utility services and may discontinue the water service to any sewer user who may be delinquent in the payment of sewer service charges.

History: L. 1947, ch. 107, § 8; L. 1949, ch. 117, § 4; L. 1955, ch. 74, § 2; L. 1959, ch. 63, § 1; L. 1979, ch. 47, § 4; L. 1980, ch. 64, § 1; July 1.

Source or prior law:
12-805g.

Cross References to Related Sections:

Audit report to be filed with director of accounts and reports, see 75-1124.

Law Review and Bar Journal References:

"Open Meetings Profile: The Prosecutor's View," Bradley J. Smoot and Louis M. Clothier, 20 W.L.J. 241, 255 (1981).

Attorney General's Opinions:

Records of municipally owned utilities are open to the public. 81-52.

Annual audit of public and municipal utilities; home rule powers. 82-206.

10-1209.

History: L. 1947, ch. 107, § 9; Repealed, L. 1949, ch. 117, § 7; June 30.

Source or prior law:
12-805j.

CASE ANNOTATIONS

1. Ordinance, notice of election and ballot must show statute under which election held. Eastern Kansas Utilities, Inc. v. City of Paola, 165 K. 558, 564, 567, 570, 196 P.2d 199.

10-1210. Publication of intended improvements; protest; election. The governing body, by a two-thirds vote of the members thereof, or where the utilities are under the control and management of a board of public utilities, said board by a three-fifths vote thereof, may contract for or make repairs, alterations, extensions, reconstructions, enlargements or improvements of any of its municipally owned utilities and issue or cause to be issued revenue bonds in payment of the cost thereof without submitting to a vote of the electors of such municipality the proposal to contract for or to make such repairs, alterations, extensions, reconstructions, enlargements or improvements and to issue such bonds in payment of the cost thereof: *Provided*, That such repairs, alterations, extensions or improvements will not cause duplication of existing utility service furnished by a private utility: *Provided, however*, That the governing body or other proper officers of any such municipality shall, before contracting for or making any such repairs, extensions,

reconstructions, enlargements or improvements, cause to be published in the official paper of said municipality or, if said municipality has no official paper, then some paper of general circulation in such municipality, a notice of its intention so to do which notice shall describe the nature of the proposed repair, alteration, reconstruction, enlargement or improvement, state the total amount of the cost thereof and the amount of the bonds to be issued for the payment thereof: *Provided, however*, If, within fifteen days after the publication as aforesaid of such notice, there shall be filed with the clerk of such municipality a written protest against such proposed repairs, alterations, extensions, reconstructions, enlargements or improvements and such bond issue, signed by not less than twenty percent of the qualified electors of such municipality, the governing body of such municipality shall thereupon submit such proposed project and the proposed bond issue to the electors of such municipality at a special election to be called for that purpose upon at least ten days' notice, to be held not later than sixty days after the filing of such protest or at a regular city election or general election which will occur not sooner than thirty days nor not later than sixty days after the filing of such protest. In the event that a majority of such voters voting on such proposition at such election shall vote in favor thereof, such repairs, alterations, extensions, reconstructions, enlargements or improvements shall be made and such bonds may be issued in payment of the cost thereof.

History: L. 1947, ch. 107, § 10; L. 1949, ch. 117, § 5; June 30.

Source or prior law:
12-805h.

Research and Practice Aids:

Municipal Corporations § 918(1).
C.J.S. Municipal Corporations § 1920 et seq.

10-1211. Refunding of bonds. Any municipality governed by the provisions of this act having issued revenue bonds under this act or any previous authority may, from time to time, issue revenue bonds pursuant to the provisions of this act to refund any previous issue or part thereof of its outstanding revenue bonds. Such refunding revenue bonds shall be issued in the manner prescribed by and subject to the provisions of K.S.A. 10-116a. In addition, any such municipality may, from time to time, issue general obligation bonds, under the provisions of the general bond law, to refund any previous issue or part thereof of its out-

standing revenue bonds. The amount of the outstanding interest on such bonds are callable in terms or the holders render them to the municipality. The resolution adopted by the municipality stating such bonds are to be issued for the total cost to the city shall be published in the next five consecutive weeks in the official paper of the municipality. After such publication, the bonds may be issued unless a petition is filed with the clerk of such municipality equal in number to the number of the electors of the municipality. The office of secretary of state shall hold a general election of the clerk of such municipality following the last publication of the petition. If such a petition is filed, the election shall be held for the purpose and held on the date of the publication of the petition. The bonds shall be issued and the proceeds thereon shall be used to pay the cost of the bonds. No such bonds shall be issued unless the total amount of such bonds shall amount to less than the total amount of the revenue bonds being issued. The revenues from the bonds shall be expected to be sufficient to pay the principal and interest on the bonds. The bonds shall be issued in accordance with the provisions of the general bond law.

History: L. 1947, ch. 140, § 1; L. 1949, ch. 173, § 6; July 1.

Research and Practice Aids:
Municipal Corporations § 918(1).
C.J.S. Municipal Corporations § 1920 et seq.

10-1212. Any municipality governed by the provisions of this act having issued revenue bonds under this act or any previous authority may, from time to time, issue revenue bonds pursuant to the provisions of this act to refund any previous issue or part thereof of its outstanding revenue bonds. Such refunding revenue bonds shall be issued in the manner prescribed by and subject to the provisions of K.S.A. 10-116a. In addition, any such municipality may, from time to time, issue general obligation bonds, under the provisions of the general bond law, to refund any previous issue or part thereof of its out-

maturity on said bonds shall not be fixed for a longer period of time than forty (40) years after the date of issuance; said bonds shall bear interest at a rate not to exceed the maximum rate of interest prescribed by K.S.A. 10-1009, payable semiannually and the amount of interest due each six (6) months shall be evidenced by coupons attached to each bond issued. In no case where revenue bonds are issued under and by virtue of this act shall the total amount thereof be in excess of the actual cost of the project. No city shall have any right or authority to levy taxes to pay any of the principal of or interest on any such bonds or any judgment against the issuing city on account thereof and the provisions of K.S.A. 10-113 shall not apply to any bonds issued hereunder.

History: L. 1953, ch. 72, § 10; L. 1969, ch. 77, § 1; L. 1970, ch. 64, § 11; L. 1978, ch. 99, § 11; April 25.

CASE ANNOTATIONS

1. Act examined and construed; held constitutional. *City of Lawrence v. Robb*, 175 K. 495, 496, 497, 498, 265 P.2d 317.

12-866. Same; revenue bonds; rates, fees and charges; annual audit, filing. (a) The governing body or other proper officers having the control and management of the utilities of such city shall provide for the payment of such bonds by fixing rates, fees or charges for the use of or services rendered by such utility, which rates, fees or charges shall be sufficient to pay the cost of operation, improvement and maintenance of the utility and pay the principal of and the interest upon such bonds when due.

(b) The city shall cause an audit to be made annually by a licensed municipal public accountant or certified public accountant of the operation of any utility for which revenue bonds have been issued by the city. If the audit discloses that proper provision has not been made for all of the requirements of this section, then the governing body or other officers having the control and management of the water and sewage system of such city shall promptly proceed to cause to be charged for the utility service rendered rates which will adequately provide for the requirements of this section. Within one year after the end of the audit period of the audit, a copy of the audit report shall be filed with the clerk of the city and shall be open to public inspection.

History: L. 1953, ch. 72, § 11; L. 1980, ch. 64, § 2; July 1.

Cross References to Related Sections:

Audit report to be filed with director of accounts and reports, see 75-1124.

CASE ANNOTATIONS

1. Act examined and construed; held constitutional. *City of Lawrence v. Robb*, 175 K. 495, 496, 497, 498, 265 P.2d 317.

12-867. Same; eminent domain. Any city operating under this act shall have the power of eminent domain with [within] or without the city for the purposes of this act.

History: L. 1953, ch. 72, § 12; June 30.

CASE ANNOTATIONS

1. Act examined and construed; held constitutional. *City of Lawrence v. Robb*, 175 K. 495, 496, 497, 498, 265 P.2d 317.

12-868. Same; combined waterworks and sewage system revenue bonds, when; act supplemental. Any city governed by the provisions of this act having authorized or issued revenue bonds under this act or having authorized or issued waterworks revenue bonds and sewage system revenue bonds under any other authority may, from time to time, without an election, issue its combined waterworks and sewage system revenue bonds pursuant to the provisions of this act in lieu of or in refund of any such revenue bonds previously authorized or issued. The power herein granted to issue bonds shall be supplemental to and not amendatory of the provisions of K.S.A. 10-102.

History: L. 1953, ch. 72, § 13; L. 1958, ch. 7, § 1 (Special Session); May 8.

12-869. Validation of proceedings and issuance of bonds for waterworks improvements in certain cities of second class. Any city of the second class which has, pursuant to the provisions of article 8 of chapter 12 of the Kansas Statutes Annotated, and any amendments thereto, authorized the issuance of general obligation bonds of the city for the making of waterworks improvements and held a bond election therefor prior to July 1, 1973, and a majority of the legal electors voting on the question voted in favor of the issuance of bonds in an amount not to exceed one hundred thousand dollars (\$100,000), is hereby authorized to issue such bonds notwithstanding the fact that insufficient time elapsed in the giving of

1 with the requirements of subsection (a) are not relevant to the require-
2 ments of the cash-basis and budget laws of this state and are of no sig-
3 nificant value to the governing body or members of the general public of
4 the municipality. No governing body of a municipality shall ~~request ap-~~
5 ~~prove~~ the waiver or adopt the resolution authorized under this subsection
6 if the provisions of revenue bond ordinances or resolutions or other or-
7 dinances or resolutions of the municipality require financial statements
8 and financial reports to be prepared in conformity with the requirements
9 of subsection (a). The governing body of any municipality which ~~is granted~~
10 ~~approves~~ a waiver under this subsection shall cause financial statements
11 and financial reports of the municipality to be prepared on the basis of
12 cash receipts and disbursements as adjusted to show compliance with the
13 cash-basis and budget laws of this state.

14 (2) The provisions of this subsection do not apply to community
15 colleges.

16 (d) ~~The director of accounts and reports state board of regents~~ shall
17 waive the requirements of law relating to the preparation and mainte-
18 nance of fixed asset records upon request therefor by the board of trustees
19 of any community college. The waiver shall be granted to the extent and
20 for the period of time requested by the board of trustees. Nothing con-
21 tained in this subsection shall be construed so as to exempt any com-
22 munity college from compliance with the provisions of K.S.A. 71-211, and
23 amendments thereto, which requires the use by all community colleges
24 of a standardized and uniform chart of accounts.

25 Sec. 9. ~~K.S.A. 75-1122~~ is hereby amended to read as follows: 75-
26 1122. (a) The governing body of every unified school district, the govern-
27 ing body of every recreation commission having aggregate annual gross
28 receipts in excess of \$150,000 and the governing body of all other mu-
29 nicipalities either having aggregate annual gross receipts in excess of
30 \$275,000 or which has general obligation or revenue bonds outstanding
31 in excess of \$275,000 shall have its accounts examined and audited by a
32 licensed municipal public accountant or accountants or certified public
33 accountant or accountants at least once each year. In the case of school
34 districts, all tax and other funds such as activity funds and accounts shall
35 also be examined and audited.

36 (b) ~~Any municipality required to have an annual audit for the first~~
37 ~~time under this section shall be exempt from the requirement if the mu-~~
38 ~~nicipality sends to the division of accounts and reports a written request~~
39 ~~for assistance in complying with the required accounting procedures of~~
40 ~~K.S.A. 75-1121, and amendments thereto. The exemption shall continue~~
41 ~~until the assistance is rendered by the division of accounts and reports.~~

42 ~~(c)~~ The governing body of any city of the third class required to have
43 its accounts examined and audited pursuant to the provisions of this sec-

1 tion shall annually determine the total cost to be incurred by the city in
2 complying with the requirements of this act and shall identify the same
3 in the budget of the city.

4 ~~(d) Each year the township board of any township required to have
5 an annual audit may adopt a resolution requesting the director of accounts
6 and reports to exempt the township from the requirements of this section.
7 The resolution shall be submitted prior to the end of the fiscal year. Upon
8 receipt of the resolution, the director of accounts and reports shall waive
9 the requirement for an audit for such year.~~

10 Sec. 10. K.S.A. 1999 Supp. 75-2556 is hereby amended to read as
11 follows: 75-2556. (a) The state librarian shall determine the amount of
12 the grant-in-aid each eligible local public library is to receive based on
13 the latest population census figures as certified by the division of the
14 budget.

15 (b) Except as provided by subsection (d), no local public library shall
16 be eligible for any state grants-in-aid if the total amount of the following
17 paragraphs is less than the total amount produced from such sources for
18 the same library for the previous year, ~~based on the information contained
19 in the official annual budgets of municipalities that are filed with the
20 division of accounts and reports in accordance with K.S.A. 79-2930, and
21 amendments thereto:~~

22 (1) The amount produced by the local ad valorem tax levies for the
23 current year expenses for such library;

24 (2) the amount of moneys received from the local ad valorem tax
25 reduction fund for current year expenses for such library;

26 (3) the amount of moneys received from taxes levied upon motor
27 vehicles under the provisions of K.S.A. 79-5101 et seq., and amendments
28 thereto, for current year expenses for such library; and

29 (4) the amount of moneys received in the current year from collec-
30 tions of unpaid local ad valorem tax levies for prior year expenses for such
31 library.

32 (c) Local public library districts in which the assessed valuation de-
33 creases shall remain eligible for state grants-in-aid so long as the ad va-
34 lorem tax mill rate for the support of such library has not been reduced
35 below the mill rate imposed for such purpose for the previous year.

36 (d) If a local public library fails to qualify for eligibility for any state
37 grants-in-aid under subsection (b), the state librarian shall have the power
38 to continue the eligibility of a local public library for any state grants-in-
39 aid if the state librarian, after evaluation of all the circumstances, deter-
40 mines that the legislative intent for maintenance of local tax levy support
41 for the on-going operations of the library is being met by the library
42 district.

43 (e) The distribution so determined shall be apportioned and paid on

INTRODUCTION

What is KMAG?

KMAG, the *Kansas Municipal Audit Guide*, is an audit guide for use in conducting municipal audits in the State of Kansas. It is mandated by K.S.A. 75-1123.

Applicability

KMAG applies to all Kansas municipal audits required to be conducted under K.S.A. 75-1122, K.S.A. 10-1208, and K.S.A. 12-866. These statutes require two types of municipal audits: 1) an all-funds audit, and 2) a utility fund audit. Determining if an audit is required under these statutes is a two-step process. First, you must determine if the entity is a municipality. Second, you must determine if the criteria outlined in the statutes requiring an all-funds audit, a utility fund audit, or both, have been met.

What is a Municipality? For the purpose of applying the statutory audit requirements, municipality is defined in K.S.A. 75-1117. The statute provides an extensive list of entities included in the definition of a municipality. Also, included is any "public or quasi-public corporation entitled to receive and hold public moneys pursuant to any provision of state law"

Not included in the definition of municipality are non-profits, or other types of entities that may receive public moneys from municipalities.

What Triggers an All-Funds Audit? K.S.A. 75-1122 requires an all-funds audit if the municipality meets any one of the following three criteria: 1) annual gross receipts exceed \$275,000, 2) general obligation bonds outstanding in excess of \$275,000, or 3) revenue bonds outstanding in excess of \$275,000. An all-funds audit is an audit of all funds of the municipality.

Recreation commissions established under K.S.A. 12-1925 are subject to a lower threshold. Recreation commissions with annual gross receipts exceeding \$150,000 are subject to an all-funds audit under K.S.A. 75-1122.

What Triggers a Utility Fund Audit? K.S.A. 10-1208 and K.S.A. 12-866 require a municipality to be audited if it has any outstanding revenue bonds. These audits are commonly called "utility fund" audits. The utility fund audit, in contrast to the all-funds audit required under K.S.A. 75-1122, is an audit of only the utility which is legally obligated to pay the outstanding revenue bonds. Special guidance for conducting a utility fund audit is included in Appendix H.

What if Both an All-Funds Audit and a Utility Fund Audit are Required? If a municipality meets the requirements for both an all-funds audit and a utility fund audit, an all-funds audit is sufficient to meet both statutory audit requirements because the all-funds audit encompasses all utility funds. There is no need to issue a separate audit report for the utility fund only. However, the compliance requirements in K.S.A. 10-1208 and K.S.A. 12-866 must still be considered in an all-funds audit, even though a separate utility fund audit report is not issued.

New 1997 Edition
KANSAS MUNICIPAL AUDIT GUIDE

Effective for municipal audits of years ending after June 30, 1996

The Division of Accounts and Reports and the Kansas Society have joined forces to issue this 1997 revision of the Kansas Municipal Audit Guide. It replaces all previous revisions and is effective for audits of years ending after June 30, 1996.

Two Major Guide Changes

Changes to Appendix B, "Example Statutory Basis Financial Statements", include changing the focus of statement 1 and 2 from cash to unencumbered cash, eliminating specific municipal type example financial statements, and changing the presentation of agency funds on statement 1.

Changes to Appendix I, "Conservation District Audits - Guidelines for Auditing and Financial Reporting", include changing "Agreed-Upon Procedures" to comply with recent professional pronouncements.

The balance of the changes from the 1995 to the 1997 KMAG are for clarification and touch on the Kansas Statutory Compliance Checklist, Example Note Disclosures, Confirmation of State Payment to Municipalities and Guidelines for Applying GASB Statement No. 14.

If you conduct municipal audits in Kansas this 1997 Edition is a must!
Order your copy today for the low price of \$125 (plus Kansas sales tax) which includes any 1998 supplement that may be issued.

1997 Edition of Kansas Municipal Audit Guide Order Form

Return this form with your remittance of \$132.70 per Guide payable to Kansas Society of CPAs to: KSCPA, P.O. Box 5654, Topeka, KS 66605-0654

Or call 1-800-222-0452 (267-6460 in Topeka) to order by phone. Please have your VISA or Mastercard number available on phone orders.

Name _____

Firm _____

Address _____

City _____ State _____ Zip _____ Phone _____



KANSAS
ASSOCIATION OF
COUNTIES

Testimony concerning SB 635
Senate Ways and Means Committee
March 3, 2000

Presented by Randy Allen, Executive Director
Kansas Association of Counties

Mr. Chairman and members of the committee, my name is Randy Allen, Executive Director of the Kansas Association of Counties. Thank you for the opportunity to testify *in opposition to SB 635*, eliminating or redirecting the functions currently provided by the Municipal Accounting section of the Division of Accounts and Reports.

For county clerks, treasurers, and finance and budget officials, the excellent staff of the Municipal Accounting section are their *primary contact with state government*. When a question arises about interpretation of a budget or tax levy question, typically an inquiry is directed to the Municipal Accounting section. The staff provide over-the-phone assistance to county, city, township, special district, and other officials concerning a wide variety of finance and accounting questions and issues. Many entities, especially townships, special districts, and small cities, rely heavily on the Municipal Accounting staff which performs a "range rider" function each summer in traveling to courthouses across the state to assist in budget preparation. This is a valued service, as can be confirmed by township and special district board persons across Kansas.

More importantly, however, is the *uniformity of budget reporting* that occurs with the requirement that the budgets be prepared on forms "furnished by the director of accounts and reports." This requirement means that when a question arises about the financial practices of local units of government, a repository of information (budgets, audits) exists from which information can be obtained **and** meaningful comparisons and analyses can be made.

The FY 2001 budget recommendation to withdraw funding for the Municipal Accounting section was a surprise to our Association and our members. If it were the long-term desire of the Legislature to eliminate the section's services and functions, our Association would work in good faith to minimize the disruption of the change to ensure continued compliance with all statutory requirements. However, there was no discussion - formal or informal - with counties about various options for providing these services prior to the Governor's State of the State address. We believe that, absent a transition plan to 1) ensure that consultation services are maintained and 2) provide for some uniformity in financial reporting, we will all be back here in a relatively short time frame trying to restore the valuable services the Municipal Accounting section currently provides. This agency has a proud history and positive record of customer service. On behalf of counties, I urge the committee to kill SB 635 and restore essential funding to maintain the Municipal Accounting section in the 2001 budget. Thank you for this opportunity to testify.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.

6206 SW 9th Terrace
Topeka, KS 66615
785•272•2585
Fax 785•272•3585
email kac@ink.org

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment # *4*

SB 635
POSITION STATEMENT
KANSAS COUNTY COMMISSIONERS ASSOCIATION

Dear Chairman Kerr and Members of the Senate Committee on Ways and Means:

As President of the Kansas County Commissioners Association, I presided at our Executive Board Meeting of February 8th, 2000. We voted unanimously to oppose the abolishment of the Municipal Accounting Section of the Division of Accounts and Reports. To eliminate this function of state government, without the continued support offered to local units of government, would be detrimental.

The training and technical assistance provided by this department to county officials across this state has helped to insure our solvency and allowed us to be a model for an efficient form of government. All counties utilize the standard budget forms that are created by Municipal Accounts and in addition take full advantage of the training. This is true even in the larger urban counties of Kansas. Municipal employees and public accountants utilize that time between the legislature adjourning and when the ink first touches the budget to retool and train. Municipalities, in complying with legislative acts, need direction and assistance to insure that the intent of the newly passed legislation is being adhered to. As commissioners, we feel it is advantageous to the state and the various local units of government to be operating from the same forms and same information. Through the staff of Municipal Accounts and Reports, this has been carried out most successfully.

We at the county level are aware of the difficult days ahead for the legislature. But please consider that eliminating the Municipal Accounts and Reports Division and their employees without something else of equal stature in its place could mark some grave days ahead for us all.

Sincerely,



Lonie R. Addis
Labette County and President
Kansas County Commissioners Association

640 Iowa
Oswego, KS 67356-2422
(316) 795-2138 ext. 260
addis@oswego.net

Attachment: Letter of December 28th, 1995 commending
Barbara Butts, from the Division of Accounts and Reports

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment #

5

unized
MARC 10, 1867

BOARD OF COMMISSIONERS
LABETTE COUNTY
OSWEGO, KANSAS 67356
(316) 795-2138 or 421-5255
FAX (316) 795-2928

DISTRICT 1
R. ADDIS
10 Iowa
Oswego, KS 67356
795-2828
DISTRICT 2
CECIL FISH
Rt. 1, Box 178 I
Cherryvale, KS 67335
328-5144
DISTRICT 3
E. DALE McBRIDE
2708 Crawford
Parsons, KS 67357
421-9511

December 28, 1995

Department of Administration
Division of Accounts and Reports
Shirley A. Moses, Director
900 Jackson, Room 251S
Topeka, Kansas 66612-1220

re: Barbara Butts

Dear Ms. Moses:

This letter is long over-due. I am preparing to serve my fourteenth year as a County Commissioner of Labette County, Kansas. As hard as I try not to, I still occasionally take some things for granted. One such thing is the efficiency displayed time and again by Barbara Butts. I am not sure words can do justice to describe the appreciation I have for her. No one, and I mean absolutely no one has a handle on municipal budgets the way she has. What is equally important, is how she can convey her expertise to others. I attend every budget seminar she speaks at in my area. Besides governmental employees, attendance is also made up of some of the best accountants in the state of Kansas. At breaks, and before and after the budget seminars, from the topics of conversation among those in attendance, I am not alone in announcing the praises of Mrs. Butts. She is that widely respected!

I have always felt that every county commissioner should know how to prepare a budget, though that task is left up to the County Clerk or an accountant in most counties. I have been fortunate enough to have a county clerk I can work with on budgets and Barbara Butts just a phone call away. I know her schedule is at times hectic but she always seems to take the time to respond and answer every question I put forth. That effort on her part must be done several times.

Among County Clerks, when the name Barbara Butts comes up, there is nothing said where the respect and admiration doesn't come forward. She is that highly revered among those who work with her the most.

I can not applaud her enough for all she has done to assist me. It is hard to imagine that one day she would not be available to provide the assistance that I and so many others have always received from her. I trust that one day she can be acknowledged or commended for her courtesy and painstaking devotion to duty that has assisted so many throughout Kansas.

Sincerely,



Lonie R. Addis
Labette County Commissioner

pc. file



REBECCA BOSSEMEYER
GEARY COUNTY CLERK

139 E. 8th St., PO Box 927 / Junction City, KS 66441-0927
PHONE (913) 238-3912 • FAX (913) 238-5419

TESTIMONY
SB 635
Ways and Means

Presented by Rebecca Bossemeyer
Geary County Clerk and Chair of Legislative Committee of Clerk's Association
March 3, 2000

I am here to express our concern about the proposed elimination of the municipal accounting team.

This team provides invaluable support to local units of government in Kansas including, but not limited to:

- Design and distribute budget forms
- Design and distribute training manuals
- Conduct budget seminars
- Conduct training sessions for Basics of Budgeting, Excel Spreadsheets, & Recreation Commissions
- Serves as central repository for 2,950 Municipal Budgets
- Assist 400 Municipalities with preparation of Annual Budgets
- Serves as central repository of 1,005 Annual Audits
- Provide training as requested by County Clerks, County Treasurers, City Clerks, League of Municipalities, Kansas Association of Counties and others
- Distribute Sum Total, bi-monthly newsletter, to 1000 municipal officials, independent auditors, and others

The elimination of this team will mean there will be no consistency in budget forms. There will be no training for clerks and others who prepare budgets. There will be no resource to call for answers to questions to insure laws are being complied with.

Someone will have to take over the preparation of the 400 budgets now being prepared with the assistance of Municipal Accounting. If the duties are assumed by the County Clerks, it will be yet another unfunded mandate and the fact there will be no resource for training or to answer questions will be further crippling. If the cities, townships, cemeteries, etc. have to hire an accountant to prepare the budget, property taxes will likely be increased to fund this expense. At the present time, Municipal Accounting

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment # *6*

charges \$40 to prepare township and cemetery budgets. A township in Geary County paid a local accountant approximately \$300 for budget preparation last year.

The budget for Municipal Accounting is \$240,000 and last year the team generated fees of \$85,000; which means \$155,000 is required to fund this division. This savings, for a several billion-dollar budget, is quite small and it will certainly not be offset by the lack of consistency in forms, lack of resources for training, and updates to manuals.

I have worked with and for state agencies most of my adult life. The employees of the Municipal Accounting Team are some of the most professional, knowledgeable, and responsive of any of the people I have worked with.

We request that you do not support SB 635.

Thank you.

TESTIMONY ON SB 635

Honorable Chairperson Senator Kerr and Members of the Senate Ways and Means Committee, Senators Salisbury, Jordan, Lawrence, Morris, Ranson, Salmans, Petty, Downey, Feleciano, and Gilstrap:

I speak in opposition to SB 635 for the following reasons:

SB 635 would eliminate the Municipal Accounting and Training Services Office in the Division of Accounts and Reports.

I am mayor of the small City of Countryside, KS, and population 312. Our city is classified as a city of third class; we have no city hall, and we operate primarily by a volunteer city council and appointive city officials.

The passage of this bill would eliminate a valuable and supportive department of the State of Kansas, which we have relied upon over the course of its existence. It's difficult for cities of our size to keep current on the budget laws. The Municipal Accounting and Training Services Office has been of great assistance to us, during our annual budget preparation.

Budget assistance is critical for Countryside. The city treasurer is usually a resident of the city, who has volunteered to become involved with the city. This person, mostly likely, will not have city budget law experience. By eliminating this state support, it could be more difficult to find a volunteer, because this help would no longer be available. If this bill is passed, who would create the budget forms, provide assistance to the smaller municipalities, and where will the county clerks file the completed city budgets? These are some of the functions currently performed by the Municipal Accounting section.

Countryside prides itself, as one of the better smaller cities that works with the Municipal Accounting section, as far as providing accurate financial information. I know the kind of detrimental impact this change would have on the work we would have to do. There are many municipalities that will be totally lost without budget assistance.

I respectfully urge you not to eliminate the Municipal Accounting and Training Services Office.

Thank you,
Ken Davis, Mayor
City of Countryside, KS

5808 W. 61st Terrace
Countryside, KS 66202

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment #

7



League of Kansas Municipalities

To: Senate Ways and Means Committee
From: Don Moler, Executive Director
Re: Opposition to SB 635
Date: March 3, 2000

First I would like to thank the Committee for allowing the League to testify today in opposition to SB 635. The League has worked closely with the Municipal Accounting Section since its inception many years ago. The Municipal Accounting Section provides invaluable assistance to local government officials throughout the State of Kansas especially as it relates to accounting and budgeting matters. Specifically, those units most benefitted are typically medium and smaller sized cities, counties, townships and special districts. What the Municipal Accounting Section provides is the ability for professional technical assistance to a variety of units of local government. We believe it is an integral part of the state-local partnership and should not be abolished.

In reviewing the fiscal note for the Municipal Accounting Section, it is much smaller than it would initially appear from the proposed budgetary cuts. While the overall line item is about \$250,000, the actual amount of savings to the State general fund is a mere a \$155,454. In the grand scheme of things, this seems to the League to be a very small price to pay for helping medium and small units of government in Kansas correctly handle their annual budgeting process and deal with other budgeting and accounting issues. It seems a very small price to pay for accuracy and reasonableness in the budgeting process. It also is a small price to pay for the development of the appropriate budget forms which are used throughout the State of Kansas by units of all sizes. Quite frankly, the forms and training alone seem to us to justify this small annual investment in this very important section.

Finally, I would like to leave with you with an anecdote which does not happen often here, but which I thought might interest the Committee. Several weeks ago I was asked by a Senator to call off the dogs and have people stop calling her concerning the abolition of the Municipal Accounting Section. I laughed to myself because I hadn't set anything in motion. This is one of the few instances where any phone calls, faxes, emails or letters you have received on this matter are a result of a spontaneous, grass roots movement to oppose the removal of this section. The people who have contacted me are genuinely concerned about the loss of the Municipal Accounting Section and the functions they provide. They are genuinely concerned that no one will be picking up the pieces of the puzzle which are

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment #

8

left should this section be abolished. We believe that the disbanding of the Municipal Accounting Section is a very short sighted move in the grand scheme of things. We believe it has served a very valuable function for many years and will continue to do so well into the 21st Century if it is allowed to continue its operation. Frankly, we are somewhat surprised and dismayed that an element of the state budget which appears to provide such a big bang for the buck has been targeted for removal. We would strongly urge the Committee to reject this piece of legislation and to reinstate the funding for the Municipal Accounting Section. Thank you very much.

10
Nov 16, 1974

COMMITTEE REPORT
"Pomeroy Report"

TO: Legislative Coordinating Council
FROM: Special Committee on Local Government
SUBJECT: Proposal No. 64 - Dealing With Updating Fiscal Systems of Local Governments

The Special Committee on Local Government was charged to review all aspects of the accounting systems and auditing procedures used in counties, cities, and school districts in the state to determine the feasibility of reforming and updating the total fiscal system to more efficiently meet the needs of these local units of government.

Background

In 1933 the Kansas Legislature enacted three statutes which had as their principal object the establishment of control over and the regulation of fiscal policies of the various taxing subdivisions and municipalities of the state. These laws were the cash basis law, the budget law, and the tax limitation law.

Many taxing subdivisions in 1933 had outstanding obligations which had been incurred during previous years to such a large and varied extent that the governing bodies thereof did not or probably could not have ascertained from information readily available the true financial condition of their respective taxing subdivisions. The cash basis law was enacted to remedy that situations. It provided, in general, that all claims on the effective date of the Act other than those admitted by the taxing subdivisions as being

outstanding had to be presented to the taxing subdivisions within a designated time or the claim would be forever barred; and that all legal claims properly presented or acknowledged by the taxing subdivisions be paid by the issuance of bonds, and thereafter all taxing subdivisions were required to operate on a cash basis, or as the popular phrase described it, upon a "pay-as-you-go basis." Stringent penalties were provided for violations of the act by the members of the governing bodies.

During the years prior to 1933, the legislature had enacted numerous laws which authorized the different taxing subdivisions to make tax levies for many different purposes. Some of these laws did not come strictly within the tax limitations then prescribed by law. This resulted in a condition which permitted a taxing subdivision to make levies which were, in the opinion of many, entirely too high and created an excessive tax burden upon property located therein. To alleviate that situation, the legislature in 1933 enacted a new tax limitation law. In framing that law, the legislature had an enormous task. Literally hundreds of previous statutes and practices which had developed over many years in the various governmental units had to be studied and the statute formulated in harmony with the fundamental purpose of economy and efficiency in the administration of local government.

In order for a taxing subdivision to be able to efficiently operate on a cash basis and within the tax limitations prescribed by law, it was evident that the governing body must necessarily plan the expenditures to be made in a given year

with due regard to the revenues which would be available to the taxing subdivision in that year for each of the several purposes for which expenditures were to be made. To enable the taxing units to make such a plan, and to provide safeguards to insure that the cash basis principle would be maintained and carried out, the legislature enacted a new budget law in 1933.

These three laws together with a constitutional provision (Art. 11 Sec. 5), state audit overview legislation for local units of government (K.S.A. 75-1117 et seq.) and recent tax lid legislation (K.S.A. 1974 Supp. 79-5001 et seq.), continue to provide the legal structure for the financial operation of local governments.

Scope of Committee Study

In carrying out its charge the Committee held a number of hearings on the subject of the fiscal systems of local government. Those appearing included the representatives of the League of Kansas Municipalities, the State Auditor's Office, the Accounts and Reports Division of the Department of Administration, State Department of Education, a representative of a CPA firm actively engaged in municipal accounting and auditing, a public utility representative and the Kansas Advisory Council on Intergovernmental Relations (KACIR).

The Committee was briefed by a representative of the League of Kansas Municipalities concerning the purpose and membership of a League budget review committee. Membership of the budget review committee includes city, county, and state elected officials as well as representatives of public utility companies, CPA firm and the federal government. It was noted that this

budget review committee had made a number of suggestions for updating city budget forms and were in the process of reviewing budgetary forms for county governments. It was noted that several cities had agreed to use the revised budget forms for cities. The League Representative also noted that a League policy statement for the past several years has called for each county to be required to have a qualified financial advisor. These advisors would provide other subdivisions of government as well as counties professional advice on the fiscal processes of government.

A representative of a public utility company told the Committee that many public utilities were cutting back the number of personnel previously employed in aiding local units of governments in their financial matters. It was noted that public utilities had traditionally provided financial advice for local governing body officials and had aided them in the preparation of annual budgets and tax levies. This practice for the most part has been discontinued due to economy moves on the part of these companies.

The Committee was briefed by a representative from the State Department of Education concerning practices of the Department in educating school district officials in tax and budgeting matters. The representative noted that during the legislative session copies of bills relating to major school finance changes are sent to the school districts. After the session, copies of all the enrolled bills and summaries related to schools are sent to the various school districts. In addition, it was explained

that the State Department of Education sponsors workshops for school district fiscal officers each year to familiarize them with new legislation and budget forms. It was noted that the Municipal Audit Division of the State Auditor's Office had been most cooperative in helping redesign budget forms for use by school districts and community junior colleges.

It was explained also that in the fall of each year, letters are sent to school districts to audit their enrollment figures. Another letter is then sent notifying districts how much they may spend in the upcoming year. It was noted that five auditors are auditing school districts in the field at all times.

whose?

The Committee also heard from the Accounts and Reports Division. (The Accounts and Reports Division will become the new agency handling the state municipal audit function.) It was stated that with the addition of five people, fiscal advice can be provided to local units of governments by the Accounts and Reports Division. It was noted that the Accounts and Reports Division had been dealing with the local governments for several years in the area of social security. It was pointed out that the addition of these five people on the state level could fill the gap created by the diminishing number of fiscal advisors provided by the public utility companies.

The Committee also heard from a representative of a certified public accountant firm actively engaged in the practice of municipal accounting and auditing. The representative criticized the present system for a number of weaknesses. These weaknesses

included that the system requires no control over accounts receivable, supply, equipment and material inventories on specified dates, taxes receivable, real and personal assets and delinquent taxes. It was noted that the system was designed for custodial accounting and review of various funds to insure compliance with the budget and cash basis laws. He suggested that the system be uniform and that it provide adequate information for use of local, state and federal agencies. It must also provide for legal compliance and must lend itself to the budgeting processes of the public budgets so the budgets can more readily be understood by the general public.

The minimum standard audit program for municipalities was also criticized. Minimum procedures tend to become maximum procedures, he said. A suggestion was made that the minimum standard audit program be replaced by an audit guide for audits of Kansas municipalities.

The Committee also heard from a representative of the Municipal Audit Division of the State Auditor's Office. Repeal of a number of obsolete statutes related to fiscal systems of local units of government was suggested. In addition, it was suggested that the cash basis law and the budget law be amended to close loopholes and to make these laws applicable to all municipalities. The situation that exists now provides for special exceptions for certain cities and counties. These exceptions could allow a city or county by the passage of a charter ordinance or resolution under home rule to exempt themselves from all provisions of the cash basis and the budget laws.

To Avoid
Chartering out

Conclusions and Recommendations

The Committee, after some consideration, concluded that further study of the area of fiscal systems of local government was needed. To carry out this recommendation the Committee considered the idea of introducing legislation which would establish a blue ribbon commission to study the auditing and fiscal systems of local units of government as well as local government structure itself. An alternative proposal, that the commission study only the auditing and other fiscal procedures of local government, was also considered. A representative of the Kansas Advisory Council on Intergovernmental Relations (KACIR) also proposed that KACIR be given additional staff and moneys to conduct such a study.

After some deliberation the Committee recommended a fourth alternative that the Legislative Coordinating Council should enter into a contract with a certified public accountant firm actively engaged in municipal accounting and auditing to conduct a study of the fiscal systems of local governments. This firm would then be required to make specific recommendations for necessary changes in existing law. The firm should be made aware of a recent study of the accounting and auditing procedures of school districts and should be required not to duplicate these recommendations regarding school districts.

The Committee also recommends that the Accounts and Reports Division be given additional staff to provide expert fiscal assistance to local units of government. The Committee is mindful of the need for local units of government to be provided expert fiscal assistance and feels the state should perform

this function. The need appears greatest for smaller units of local government, including small cities, counties, townships, and special districts. The Committee recommends that the Ways and Means Committee give this proposal favorable consideration during the 1975 Session.

The Committee is aware that cities and counties may be able to exempt themselves from provisions of the cash basis and budget laws. Therefore, the Committee recommends that both the cash basis law and the municipal budget law be amended to make them uniformly applicable to all cities or counties. The appended bills are designed to accomplish this.

The Committee also wishes to advise the full legislature of recommendations for the repeal of obsolete statutes related to fiscal systems of local units of government. The Committee requested that these recommendations be incorporated into other recommendations that will be made at a later date by the League of Kansas Municipalities. The League is currently in the process of formulating recommendations for the updating of statutes contained in Volume I of the Kansas Statutes Annotated.

Respectfully submitted,

_____, 1974

Senator Elwaine Pomeroy, Chairman
Special Committee on Local
Government

STATE OF KANSAS
DEPARTMENT OF ADMINISTRATION

JOAN FINNEY, Governor
JAMES R. COBLER, Director of Accounts and Reports
900 S. W. Jackson, Room 251
(913) 296-2311
FAX (913) 296-6841

MEMORANDUM

DATE: May 8, 1991
TO: Art Griggs, Acting Secretary of Administration
FROM: James R. Cobler, Director
SUBJECT: How the Municipal Accounting Section Assists Local Officials

Per your request, I will summarize in this memorandum the role of the Municipal Accounting Section in: (1) providing services to local officials, (2) assisting independent auditors who audit municipalities, and (3) assisting others, including the Kansas Legislature, that provide financial management direction to municipalities. Further, I will present my thoughts to support the position of continuing the Section at its present staffing. I believe it would be a mistake to make further staff cuts in the Section.

How the Section Came To Be

The Municipal Accounting Section exercises the responsibility for, and is the successor to, the municipal accounting/auditing overview function that started in 1907 when the Kansas Tax Commission was established and assigned the duty (among others) to "inquire into the system of accounting and auditing public funds in use in townships, cities, counties . . ." In 1935, the State Accountant took over that duty with advice and assistance provided by the Municipal Accounting Board, also created in 1935. In 1953, the State Auditor's office assumed the function when the office of State Accountant was abolished. The State Auditor's office continued that function until 1975 when that office was abolished. In 1975, the function was transferred to the newly formed Municipal Accounting Section of the Division of Accounts and Reports.

The legislative mandate for overview of the accounting function of local governments was written into law by the 1935 Legislature, and the essence of that law has remained unchanged to this day. The statutory duties assigned to the Director of Accounts and Reports and the Municipal Accounting Section are to:

- formulate, devise and prescribe a system of fiscal procedure, auditing, accounting and reporting for municipalities applicable to those municipalities required by K.S.A. 75-1122 to have their accounts examined and audited at least once each year;

- adopt rules and regulations to carry out and enforce such system; and
- conduct investigations as deemed necessary to determine compliance.

The Section also administers the law specifying which municipalities are required to be audited, provides assistance to comply with required accounting procedures, prescribes the scope of municipal audits through the Minimum Standard Audit Program, and prescribes budget forms.

The Social Security Unit, which was previously a part of the Payroll, Social Security and Retirement Section, was transferred to the Municipal Accounting Section in 1977. This unit administers the special Sec. 218 provisions of the federal Social Security Law and K.S.A. 40-2301 et seq. pertaining to Old Age and Survivors Disability Health Insurance coverage of the state and local governmental units.

A 1974 Special Committee on Local Government, chaired by Sen. Elwaine Pomeroy, strongly supported the municipal assistance role and recommended in its report that:

Accounts and Reports . . . be given additional staff to provide expert fiscal assistance to local units of government. The Committee is mindful of the need for local units of government to be provided expert fiscal assistance and feel the state should perform this function. The need appears greatest for smaller units of local government, including small cities, counties, townships, and special districts.

This support for assistance to municipalities was echoed in Gov. Carlin's Kansas Policy Statements which stressed ". . . continued financial assistance, technical assistance in a number of areas ranging from municipal accounting to water supply planning . . ."

Growth, Peaking, and Contraction of Staff. Three person were transferred to the Division of Accounts and Reports in 1975 when the State Auditor's Office was abolished. The Social Security function was staffed by six persons in 1975. From this staffing of nine (three plus six discussed above), the Section grew to a peak of 24 employees in 1980. Major program cutbacks in the mid-1980s and federal changes in social security law resulted in the Section's staff being cut to the present seven and one-half: four and one-half central accountant positions and three clerical support positions.

Municipal Accounting Section's Assistance Role

The Section staff is now comprised of only four and one-half accountants (one-half the Section Chief's time is devoted to the Setoff Program) and three clerical support positions whose primary duty is to provide municipal financial management services to municipalities, auditors, and the public.

Coordinating Audits. K.S.A. 75-1122 requires all municipalities who have annual gross receipts of \$275,000 or more, or have outstanding general obligation or revenue bonds of \$275,000 or more, to be audited annually. The law also provides that a municipality required to have an annual audit for the first time may make a written request for assistance in complying with the required accounting procedures. The Municipal Accounting Section will provide advice and assistance as needed in complying with the required accounting standards and in establishing basic accounting records and procedures.

Independent auditors (certified public accountants or licensed municipal public accountants) are required to inform the Municipal Accounting Section when an audit contract is made with a municipality. When the audit report is delivered to the governing body, a copy is required to be sent to the Section. Based on the Section's review, a letter is sent to the auditor requiring additional action if the report contains discrepancies or if the Minimum Standard Audit Program (discussed below) has not been followed. A letter may also be sent to the municipality to point out statutory violations and make suggestions for improvements in accounting and internal controls. If conditions warrant, pertinent correspondence is also sent to the county attorney to determine if prosecution is justified.

Coordinating Budgets. The Section is responsible for the budget forms updating (about 200 hours are required annually to do this job) and printing of the six sets of budget forms. All municipal budgets are required to be filed with the Section. These budgets are reviewed for compliance with applicable laws, and critique letters are provided to municipalities with suggestions for improving future budgets.

Telephone Advice. Municipal officers, independent auditors, legislators, and the Governor's Constituent Services Office call the Section for guidance relating to municipal finance. Most questions concern treatment of proposed financial transactions and conformity with state municipal finance laws. Where no legal precedent can be found on an issue, Section personnel will encourage the inquirer to request an Attorney General's Opinion.

Although memorandums are maintained on some telephone calls, we don't keep an exact count. We estimate, however, that the Section responds to at least 5,000 telephone inquiries annually! The busiest time is during June and July, the budget-preparing months.

Seminars. The Section conducts budget seminars which are targeted mainly to cities and counties. Every year, the Section presents a series of these seminars, and about 900 public officials and accountants attend. In early spring, the Section conducts a series of "Getting Ready for the Budget" workshops at county clerks' offices. These workshops, provided for smaller municipalities, focus on getting the past year's financial activity summarized in preparation for budgets that are completed in June and July. They also provide detailed instructions for maintaining financial records. This past spring, the Section conducted 16 such workshops, and 90 third-class cities participated.

The Section participates in the annual Municipal Accounting Seminar sponsored by the Kansas Society of Certified Public Accountants. This Seminar is a two-day meeting for auditors (mostly CPAs) to discuss matters of current interest in municipal accounting. Section personnel provide the program for about three of the 16 hours of this Seminar.

Numerous public officials organizations, such as the Kansas Association of Counties and the Kansas Association of Tax Representatives, request Section personnel to speak at their conferences on municipal financial management. The average annual number of such speaking engagements is about 12.

Special Assistance. On request, and within staffing limitations, Section personnel visit municipalities to assist with accounting, auditing and budget problems. Most of these requests come from smaller cities and taxing districts who have not had audits and thus have not established working relationships with independent auditors.

The Section has, for many years, provided budget preparation assistance to smaller municipalities. Every July, two Section accountants provide budget preparation assistance to about 250 municipalities in county clerks' offices.

Monthly Bulletin. The Section publishes the Municipal Accountants Bulletin each month and sends it to approximately 2,000 addressees including all Kansas cities, counties, and school districts. Topics covered include Attorney General Opinions which relate to municipal fiscal matters, new legislation, and governmental accounting, auditing, and budgeting. The Bulletin is the **ONLY** source of financial management information that the smaller municipalities have access to.

Publications. The Section prepares and sells the Minimum Standard Audit Program (MSAP) and the Small City Accounting System (SCAS) manual. MSAP establishes the scope of audits of Kansas municipalities conducted by independent auditors. The MSAP requirement is a long-time statutory requirement (K.S.A. 75-1123) of the Section.

The SCAS manual is a "how-to-do-it" handbook for smaller municipalities which explains how to maintain a comprehensive system of records for producing uniform, accurate, and timely reports. The third edition of this manual is almost ready for printing. Before 1981 when the SCAS manual was first written and issued by the Section, there was no reference available to answer the prime question "What makes up an adequate accounting system for small Kansas municipalities?"

Expert Testimony. Section personnel provide expert testimony in a variety of ways for the Legislature and state agencies such as the Board of Tax Appeals. Section personnel participate in about 12 such appearances annually.

Investigations of Alleged Mishandling of Public Funds. In the past, the Section has assisted the Attorney General and the KBI in investigations of municipalities. Usually information can be obtained by telephone and from budgets and audit reports. In a few cases, field work has been required to obtain facts concerning allegations. After the field work, written reports of findings were made to the Attorney General and KBI.

Social Security Liaison. Employees of states and local governments were not eligible for participation in the Social Security program until 1951 and then only under Sec. 218 provisions creating the Old Age and Survivors Disability Health Insurance Program (OASDHI). When it became available that year, the state of Kansas and 295 political subdivisions of the state elected to be covered. Coverage has since been extended to approximately 94 percent (over 200,000) of the eligible employees of the state and subdivisions. In calendar year 1986, over \$362 million in OASDHI contributions, on wages of \$2.5 billion, was collected by the Social Security Unit and sent to the Social Security Administration.

Recent federal legislation will require mandatory coverage by all municipalities, as of July 1, 1991, that pay wages. This has resulted in numerous inquiries from municipalities who are getting their accounting systems in order to meet coverage requirements.

Conclusions

I feel that the Municipal Accounting Section plays an important role, in a multitude of ways, in helping improve the financial management systems of the state's 4,000 municipalities. Much of its work is required by statute. It is difficult to decide where you would make further cuts in the Section:

- Do we stop producing the six sets of statutorily required budget forms for the state's 4,000 municipalities?
- Do we stop responding to the 5,000 telephone inquiries received annually?
- Do we stop providing training to the 900 persons who take part in the Section sponsored budget seminars and workshops?
- Do we stop "pushing the pencil" to complete 250 municipality budgets every year?
- Do we stop publishing the Municipal Accountants' Bulletin that is now sent to 2,000 addressees statewide, the only financial management information that many small municipalities have access to?

- Do we stop responding to requests from the Legislature to testify before committees studying changes to municipal finance laws?
- Do we stop responding to requests from public officials organizations for speakers at their conferences to explain new laws that affect their everyday work?
- Do we stop coordinating the professional accounting requirements of the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants for Kansas municipalities and their auditors?

The world would not end, of course, if Accounts and Reports stopped doing these things. Someone will have to do at least some of these things, however.

I believe that the Section's services have been valuable to the state's citizens. The Section has already taken severe staff cutbacks, and we should not ask that it be cut back more. I strongly recommend that the Municipal Accounting Section program be continued at no less than its present staffing.

KRPA

KANSAS RECREATION AND PARK ASSOCIATION

**Testimony Before the Senate Ways and Means Committee
Senate Bill 635
March 3, 2000**

Mr. Chairman and Members of the Committee:

The Kansas Recreation and Park Association opposes Senate Bill 635, which will eliminate the Municipal Accounting Program.

The KRPA has nearly 900 members, and we represent 175 recreation commissions. The majority of these recreation commissions are in small communities with few resources. They look to the state Municipal Accounting Board for technical support and training by holding a budget workshop for recreation commissions each year, as well as guidance in the budget process. Many of the superintendents of recreation commissions are new to the field and have no other resource to help them in preparing their annual budgets. The Municipal Accounting Program also provides them with uniform budget forms, which are essential in the budgeting process.

With limited dollars available on the local level, especially in the smaller communities, the elimination of this service would create unnecessary hardship. We urge the committee to defeat this measure.

Thank you.

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment # *9*

700 SW JACKSON ST . STE 805
785.235.6533 PH



TOPEKA . KANSAS . 66603-3737
785.235.6655 FX

Certified Public Accountants

816 N. Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite 1
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

P.O. Box 637
303 N. Cedar
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

February 26, 2000

Senator Dave Kerr
State Capitol
Topeka, KS 66612

Dear Chairman Kerr & Members of the Ways & Means Committee:

It has come to our attention that the Division of Accounts and Reports is subject to being discontinued by Senate Bill No. 635. We are writing to express our concern that this may occur. This office performs a valuable service in the municipal audit and budget area that an office such as ours relies on many times throughout the year.

At budget time they prepare the budget forms and formats that are used by all municipalities. We as budget preparers for these entities also utilize these items. Annually they present a series of state budget seminars that we attend to be updated on the changes coming up in the new budget year.

For our municipal audits we rely on this office to prepare audit confirmations of all of the state payments made to the various cities and counties r.e. state highway payments, state revenue sharing, sales tax etc.. We also rely on the expertise of that office to assist us with technical questions that arise during the audit process.

In summary, we wish to continue to have this office remain open and we request that you support our wishes by voting against Senate Bill 635. Our office currently audits 4 counties, 4 cities and numerous smaller governmental entities and we would be the loser if this bill is passed.

Thank you for your attention to this matter.

Respectfully yours,

POTTBERG, GASSMAN & HOFFMAN, CHARTERED

By H. Calvin Pottberg, CPA
H. Calvin Pottberg

Randy Gassman, CPA
Randy Gassman

Dan Hoffman, CPA
Dan Hoffman

MEMBERS:
American Institute
of Certified Public
Accountants

Kansas Society of
Certified Public
Accountants

HCP/mln

Senate Ways and Means Committee

Date March 3, 2000

Attachment # 10

TESTIMONY BEFORE THE SENATE WAYS & MEANS COMMITTEE

March 3, 2000

I am Diane Smith and a resident of Lenexa, Kansas. I have been a licensed dietitian in the state of Kansas for the last 10 years and a registered dietitian for the last 27 years.

I apologize to each of you that you and I have to take the time to discuss this issue. Every two years, I am appalled and insulted when I have to take time from my busy schedule to stop and get a money order to pay my \$135 licensure fee due to the Kansas Department of Health and Environment.

Why am I allowed to write a personal check for the eight professional organizations that I am a member of--yet I am not allowed to write a personal check to be a licensed dietitian in the state of Kansas? Do you find it ironic that I can write a personal check at K-Mart, Wal-Mart, any store at the mall, the grocery store or most any other place of business? Yet, the Kansas Department of Health and Environment *does not trust me* enough to allow me to write a personal check?!

I realize this bill has been amended to include more than the payment of fees. I certainly have no problem with the amended bill, and am amicable to the amendments made.

Thank you for your time! I urge you to support this bill that will eliminate a step in the bureaucratic process. I will be happy to answer any questions you may have.

TESTIMONY BEFORE THE SENATE WAYS & MEANS COMMITTEE

March 2, 2000

I am Angela Prettyman and a resident of Overland Park, Kansas. I have been a Licensed Dietitian in Kansas for four years and just renewed my license in February. Thank you for the opportunity to speak today in favor of House Bill 2323.

The current process, which Kansas Dietitians must follow for licensure is inconvenient. We are professionals and yet the Kansas Department of Health and Environment will not allow payment of our initial or renewal fees by any means other than a certified check or money order. This requires additional time to obtain the proper method of payment.

Last year an amendment was attached to a nursing bill which requires the Board of Nursing to accept, along with other forms of payment personal checks. I would appreciate the same opportunity when renewing my license. I realize that the bill has been amended to include payments made to all state agencies. This is a bill, which will help relationships between the agencies and professionals in the state.

Please support this bill.

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment # *12*



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

TO: Senate Committee on Ways and Means
FROM: Linda De Coursey, Director of Government Affairs
Sabrina Wells, Comptroller
RE: Sub. for HB 2323 – Method of Payment for Licenses, Certification or
Registration Fees
DATE: March 3, 2000

Mr. Chair and members of the Committee:

Thank you for allowing us to submit written testimony on Sub. for HB 2323. Currently, the Kansas Insurance Department accepts all forms of payment, except credit card payments. We recently researched the possibility of making credit card payments available to the agents we license. However, for our purposes, we found it cost prohibitive.

When the House Committee considered HB 2323, we asked them to consider the following points: allow state agencies to recover the costs incurred by allowing payment through credit cards, and to delay the effective date to provide agencies ample time to implement procedures to accept credit card payments.

Sub. for H.B. 2323, as currently written, addresses our concerns. Sabrina Wells will be attending the hearing, should you have any questions for her. Thank you again for allowing us to make these comments.

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment # *13*



Vice President for
Administration and Finance
105 Anderson Hall
Manhattan, KS 66506 -0116
785-532-6226
Fax: 785-532-6693

March 2, 2000

The Honorable David Kerr
Chair, Senate Ways and Means Committee
123-S State Capitol
Topeka, Kansas 66612

Dear Senator Kerr:

As chair of the Board of Regents' Council of Business Officers (COBO), I am submitting for your consideration COBO's position on Substitute House Bill No. 2323.

Section 1. (a) of Substitute House Bill No. 2323 provides that a state agency may accept payment by credit card, or other method designated the agency. This section additionally provides that a state agency may impose an additional fee to recover the actual amount of any cost incurred by reason of the method of payment used by the payee. We are strongly in support of this provision of the bill. Providing the means by which a state agency can recover fees associated with the credit card option will greatly enhance the Regent Universities ability to provide a completely electronic system of class enrollment and tuition payment. At this time, some Regent Universities have determined the cost of accepting credit cards for tuition to be prohibitive; and as such, this payment option has been eliminated for tuition and fees.

Please note if this initiative is passed into law, the Kansas Consumer Credit Code, section, 16a-2-403 "prohibiting surcharge on credit cards" must also be amended to eliminate inconsistencies in the laws.

Section 1. (b) of Substitute House Bill No. 2323 mandates that a state agency shall accept payment of fees, tuition or other charges in the form of a credit card. We are not in support of this provision of the bill. A mandatory acceptance of credit cards across Regent campuses would not be feasible, particularly for areas that assess fees associated with low dollar, low volume transactions such as copiers and library fines. Our recommendation would be to change "shall accept" to "may accept".

On behalf of COBO, I appreciate your consideration of Substitute House Bill No. 2323. Should you need additional clarification please feel free to contact me at (785) 532-6226.

Sincerely,

Thomas M. Rawson
Vice President for Administration and Finance

Cc: Marvin Burris
Sue Peterson
COBO

Senate Ways and Means Committee

Date *March 3, 2000*

Attachment # *14*



Sentencing
Commis. ~

State of Kansas
KANSAS SENTENCING COMMISSION

Honorable Richard D. Walker, Chair
District Attorney Paul Morrison, Vice Chair
Barbara S. Tombs, Executive Director

January 28, 2000

Senator Paul Feleciano, Jr.
Senate Ways and Means Committee
State Capitol, Room 452-S
Topeka, KS 66612

Dear Senator Feleciano:

In response to your request for possible actions that could be taken by the Legislature to address the need for additional prison bed construction, I have prepared the following options for your consideration. I have attempted to include every possible option available, however, it should be noted that some options do include significant policy implications.

The Sentencing Commission has been very diligent in proposing legislation over the past two years to address the concerns expressed in your letter. A two-day retreat was held this past fall to address this very topic. Legislation introduced this year in the form of SB 488, SB 490 and SB 491 are specifically aimed at reducing prison population. At the same time, the Commission has also been realistic concerning the political environment in which many of these changes would have to occur. **The options listed below should not be construed as options endorsed by the Commission**, but rather as alternatives that would limit the growth of the state's prison population.

The following options are presented for your consideration:

1. Eliminate postrelease supervision for nondrug severity levels 9 and 10.
2. Eliminate postrelease supervision for nondrug severity levels 8-10 and drug severity level 4.
3. Eliminate the ability to earn "goodtime credits" for periods of postrelease supervision and replace that system with a flat time period of incarceration. Instead of a period of postrelease supervision of 24 months with the ability to earn back to 12 months, impose a flat 12-month period of postrelease supervision. The issue of offender management for incarcerated offenders is much different than for offenders on community supervision.
4. Conditional probation violators revoked to prison would serve their underlying prison sentence but not be subject to a period of postrelease supervision. Upon discharge from prison, they would return to the supervision of either court services or community corrections, not parole services.

Senate Ways and Means Committee

Jayhawk Tower 700 SW Jackson Street - Suite 501 Topeka, Ka
(785) 296-0923 Phone (785) 296-0927 FAX Web Page: <http://www>

Date *March 3, 2000*
Attachment # *15*

5. Conditional probation violators on nondrug severity levels 9 and 10 could not be revoked to serve their underlying sentence in a state correctional facility.
6. The period of probation could be graduated by severity level. Currently, 24 months is the standard period of probation for all presumptive nonprison severity levels. However, that period could be adjusted by severity level, for example, severity levels 9 and 10 of the nondrug grid and level 4 of the drug grid could have a standard 12 month probation period; nondrug severity level 8 and drug severity level 3 could have 18 months and nondrug severity level 7 could have 24 months.
7. Revise the periods of postrelease supervision from the current 36 and 24 months to the original period of 24 and 12 months established when the guidelines were implemented in 1993.
8. Additional border boxes could be added to the nondrug grid on severity levels 5 and 6, for example, over to criminal history categories E or F. This would include offenders with only prior nonperson felonies, similar to the drug grid.
9. Impose a new policy that any offender with a sentence of 11.5 months or less, must serve their period of incarceration at the local or county level, thus reserving expensive prison beds for the longer sentences imposed for serious violent offenders. The 11.5 months is an arbitrary number and could be adjusted.
10. Establish low-cost, low-security regional or county revocation centers that would house only condition violators. Condition violators could be probation and/or postrelease violators. The counties and not the state could operate them. In addition, they should have a work release component and programs developed for short term stays. One option would be to utilize army barracks throughout the state that have been closed or similar such facilities, where the offenders would be responsible for the upkeep and maintenance of the facility.
11. Establish some type or form of weekend incarceration program (similar to how misdemeanor DUI's are handled) for low severity level condition violators, which will permit them to work during the week and pay a portion of their weekend incarceration cost.
12. Reinstate the original 90 days period of incarceration for postrelease violators from the current 180 days, which was increased in 1995.
13. Adjust the period of incarceration for postrelease condition violators to 30 or 60 days. This would work well with the weekend incarceration concept. You could impose a 30 day period of incarceration for the first revocation, 60 days for the second, 90 days for third and 120 for subsequent. Currently, conditional postrelease violators stay on the average 120 days per revocation.
14. Impose a percentage decrease in length of stay for all presumptive prison sentences and/or presumptive nonprison sentences; this decrease could be anywhere from 1% to 10% for both the drug and nondrug grids.
15. Combine the drug and nondrug grids into single grid. This would allow you to adjust drug sentences proportionally to nondrug sentences, with regards to issues of public safety and degree of harm.

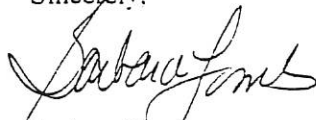
16. Reclassify all misdemeanor offenses that have been raised to felony status since the Sentencing Guidelines Act took effect in 1993, back to misdemeanor status.
17. Since there has been much concern raised regarding the number and source of conditional postrelease violators returned to prison, institute a standardized postrelease revocation journal entry form, similar to the probation revocation journal entry, that would allow more in-depth analysis and understanding of factors contributing to the increase.
18. Review all current felony offenses for person or nonperson classification and make sure they are appropriate and consistent with the underlying philosophy of harm to one's person for the person felony classification. Person felony convictions are directly contributing to the increased criminal history scores noted in the recent projections.
19. Reclassify the current person felony, residential burglary, to its original classification as a nonperson felony. With the new sentencing rule created last year, incarceration would still be applicable to a second conviction for residential burglary regardless of the person/nonperson felony classification. This change would have a significant impact on criminal history classification.
20. Institute a two year (or more) moratorium on changes to the Sentencing Guidelines Act, to allow for some in-depth analysis on effectiveness of the guidelines. With annual changes to the guidelines, it is virtually impossible to do any type of valid or reliable assessment of their effectiveness.
21. For any proposed piece of legislation that indicates an increased bedspace impact of 125 beds or more, include a Sunset Provision that will allow the legislature to review the impact of the law after three to five years.
22. For offenders released from prison who have served sentences of five years or more, mandatory placement the last six months of their sentence in some type of transition or reintegration facility (outside a state prison) to facilitate their re-entry into society. This will become a very important concern in the future, as offenders with long sentences become eligible for release under the sentencing guidelines.
23. Review all legislative changes to the Sentencing Guideline Acts since its implementation on July 1, 1993, and objectively decide which amendments warrant repeal.
24. Combine criminal history categories H and I together and define as no criminal history or prior misdemeanor convictions and adjust sentence lengths as necessary.
25. Develop and implement a standardized mandatory statewide validated risk/assessment instrument that is used on every offender who has been convicted of a felony offense and that follows the offender throughout the system (from diversion to probation to community corrections, to prison and finally postrelease). This will provide some consistency and clarity on whether an offender's needs are being identified and addressed, in addition to documenting failures as well as successes.
26. Develop more work release centers and community substance abuse programs to avoid waiting periods to enter programs and provide early intervention when an offender begins to relapse. Success on community supervision is seriously impacted if the offender does not have timely access to services or programs identified as necessary for the offender.

27. Review and establish appropriate conditions of supervision for offenders. Historically, a standard list of conditions is placed on an offender, in addition to any specific conditions felt necessary. The North Carolina model emphasizes the need to match supervision levels and conditions with needs/risks of the individual offender. This is another reason why a statewide mandatory risk/needs assessment tool should be developed and implemented.
28. Require that every offender released from prison obtain a GED, or at a minimum, be able to read at a basic level.
29. Establish drug courts in all major cities
30. Ensure that resources and staff are sufficient to provide the level of supervision required for true intensive supervision program. Under the North Carolina model, intensive supervision requires two officers for a case load of 15 to 20 offenders. Ninety percent of their contact with offenders was in the field, not in an office. Although there is a cost incurred in hiring additional supervision officers, the cost is offset by state dollars saved in prison construction and operation.

I have attempted to provide you with a wide range of options, some which can be implemented with little or no cost. Other alternatives presented would require an investment of state dollars and major policy changes. I would be happy to provide additional information, such as bedspace impacts, for any of the options you would like to explore further.

I would like to reiterate that the list of options provided have not been endorsed by the Sentencing Commission. Although the Commission has discussed many of the options listed, at least in principle, the Commission at this time has not even considered other options provided. The options presented are intended to serve as discussion points to assist you in exploring alternatives. The Sentencing Commission is available, at your request, to provide any follow-up should you desire.

Sincerely,



Barbara Tombs
Executive Director

cc: Judge Richard Walker, Chairperson

Options Summary

OPTION	BEDS SAVED BY END OF 2001	BEDS SAVED BY END OF 2010	COMMENTS
#1 Eliminate Period of Postrelease Supervision for Nondrug Severity Levels 9 & 10	139	156	Impact is immediate
#2 Eliminate Period of Postrelease Supervision for Nondrug Severity Levels 8-10 & Drug 4	231	268	Impact is immediate
#3 Flat Postrelease Period Supervision (no goodtime credits)	120	128	
#4 No Period of Postrelease Supervision for Condition Probation Violators After Serving Their Underlying Prison Sentence	208	219	May result in the need for more Court Service Officers but will provide continuity in supervision.
#5 No Condition Probation Violators Level 9 and 10 Revoked to Prison to Serve Their Underlying Prison Sentence	176	202	Would require some type of graduated community supervision be invoked
#6 Graduated Period of Probation by severity level	297	348	Could easily be done through legislation. Impact both short and long term.
#7 Reinstate Original Periods of Postrelease	218	238	
#8 Add more Border Boxes on Nondrug Grid 35% to prison, 65% to probation & 30% failure rate 35% to prison, 65% to probation & 40% failure rate 35% to prison, 65% to probation & 50% failure rate	30 26 19	88 76 65	The split between probation and prison is the same percentage shown on current border boxes and three alternative failure rates resulting in subsequent incarceration applied
#9 Limit Sentence Length to serve in State Prison			Costs would be incurred for an alternative facility or at the county level
#10 Regional Revocation Center	668	886	Costs would be incurred for an alternative facility
#11 Weekend Incarceration	179	202	I used only severity level 9 and 10 offenders in this bed space projection
#12 Reinstate Original 90 Day Revocation Period For Condition Violations of Postrelease Supervision	118	127	Not reducing only reinstating the period that was designated when guidelines were enacted
#13 Graduated Periods of Revocation	153	169	Would require some form of reliable tracking be available
#14 Decrease All Sentences by: 2% 5% 10%	7 43 84	62 356 717	The impact of this option is realized more in the out years, it is a "reverse stacking effect"
#15 Combine Drug and Nondrug Sentencing Grids	Unk.	Unk.	If sentence lengths on the drug grid were adjusted proportionally to nondrug sentences, there would be a bedspace reduction depending on what severity level is used on the nondrug grid
#16 Reclassify Felony back to Misdemeanor	Unk.	Unk.	
#17 Create Parole/Postrelease Revocation Journal Entry	Unk.	Unk.	Would provide data to assess where the greatest use of resources is needed.

#18 Review Person and Nonperson Felony Classification	Unk	Unk	This will impact the increasing criminal history scores that are contributing to longer sentences.
#19 Change Residential Burglary from Person to Nonperson	139	231	New sentencing rule for residential burglary addressed the incarceration issue.
#20 Moratorium on Changes to Sentencing Guidelines	Unk	Unk	
#21 Enact Sunset Provision > 125 Beds	Unk	Unk	Cannot quantify but would address long term growth
#22 Mandatory Transition Placement for Select Offenders	Unk	Unk	Will become increasingly important in the next 5 to 7 years. Long Term Impact
#23 Review Guidelines and Repeal Appropriate Amend.			Would address the stacking effect
#24 Combine Criminal History Categories H and I	22	68	Sentence lengths for category H are replaced with lengths in category I
#25 Statewide Risk/Needs Assessment Instrument	Unk	Unk	The impact of this option would be long term and focus on violators
#26 Work Release and Community Programs	Unk	Unk	These should be regional or at least located near large urban areas
#27 Appropriate Conditions of Supervision	Unk	Unk	Suggest that the North Carolina model be utilized Impact would be long term
#28 Mandatory GED/ Reading Skills	Unk	Unk	Long term impact but cannot quantify
#29 Establish Drug Courts	Unk	Unk	Especially important in urban areas
#30 Provide True Intensive Supervision Estimate reduce violator by 25%, allowing for a 20% failure rate	375	426	Would require additional supervision staff but the cost would be offset by reduced incarceration costs.