

## MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on February 17, 2009, in Room 545-N of the Capitol.

All members were present.

## Committee staff present:

Alan Conroy, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Michael Steiner, Kansas Legislative Research Department  
Estelle Montgomery, Kansas Legislative Research Department  
Cody Gorges, Kansas Legislative Research Department  
Julian Efird, Kansas Legislative Research Department  
Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
Melinda Gaul, Chief of Staff  
Shirley Jepson, Committee Assistant

## Conferees appearing before the committee:

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS)  
Dale Dennis, Deputy Commissioner, Department of Education

## Others attending:

See attached list.

**Introduction of Legislation**

Senator Vratil moved to introduce legislation regarding use of fee funds by Judicial Council (9rs0835). The motion was seconded by Senator Lee. Motion carried on a voice vote.

Senator Vratil moved to introduce legislation regarding response to a decision by Kansas Supreme Court (9rs0845). The motion was seconded by Senator Umbarger. Motion carried on a voice vote.

Senator Schodorf moved to introduce legislation regarding suspension and restrictions of driving privileges for drivers less than 21 years of age (9rs0830). The motion was seconded by Senator Emler. Motion carried on a voice vote.

**Approval of Minutes**

Senator Schmidt moved to approve the minutes of February 9, February 10, February 11, February 12 and February 12 (Rail). The motion was seconded by Senator McGinn. Motion carried on a voice vote.

**Response from Department of Social and Rehabilitation Services (SRS)**

Don Jordon, Secretary, Department of Social and Rehabilitation Services (SRS), provided a follow-up to Committee questions regarding the Sexual Predator Treatment Program (SPTP) (Attachment 1).

**Continuation of Hearing on SB 196 - KPERS employment after retirement restrictions to apply to retirants employed by a third-party entity.**

Julian Efird, Kansas Legislative Research Department, explained that **SB 196** would amend current law pertaining to retirees of KPERS who return to work after retirement on or after July 1, 2009 (Attachment 2). The bill would clarify state policies for instances in which retirees return to work for the same participating KPERS employer from which they retired, or other instances in which retirees go to work for a different KPERS participating employer. The bill would apply current law regardless of whether retirees return to work under individual contracts, or return to work as employees of a third-party entity which contracts their services with any participating KPERS employer.

## CONTINUATION SHEET

Minutes of the Senate Ways And Means Committee at 10:30 a.m. on February 17, 2009, in Room 545-N of the Capitol.

Responding to a question from the Committee, Glenn Deck, Executive Director, KPERS, stated that the school district would be required to report salaries of the retirees who return to work to KPERS. Mr. Deck noted that the annual cap of \$20,000 would still be in effect.

The Committee voiced concern that a school district who contracts for teachers through a third-party entity would have no authority to determine what is being paid to the teacher.

Written testimony in support of **SB 196** was received from the following:

Senator Stephen Morris ([Attachment 3](#));

Mark Tallman, Assistant Executive Director, Kansas Association of School Boards (KASB) ([Attachment 4](#)).

The Committee noted that the bill could be amended to include language requiring the school district to include a procedure in the contract with the third-party vendor, requiring the vendor to disclose salary and benefits paid to the teacher and provide within two days after written request by the school district.

Dale Dennis, Deputy Commissioner, Department of Education, stated that it is important for the legislation to provide clarity so that school districts know what is legal when contracting for teachers with a third-party entity.

The hearing on **SB 196** was closed.

### **Hearing on SB 74 - Cash basis law; exceptions when state aid to school districts are not paid when due.**

Theresa Kiernan, Revisor, explained that **SB 74** amends a provision in the cash-basis law. The bill creates an exception for expenditures by school district in excess of current revenues and is conditioned upon a deficit or shortage in revenues caused by, or as a result of, the late payment of general or supplemental general state aid ([Attachment 5](#)).

Senator Vratil provided testimony in support of **SB 74** ([Attachment 6](#)). Under current law, if the state failed to make a state aid payment on or before June 30, a school district could be forced to violate the state's cash-basis law. Senator Vratil stated that **SB 74** would allow school districts to make local school payments after June 30 and not violate the cash-basis law.

The hearing on **SB 74** was closed.

Senator Vratil moved to recommend **SB 74** favorable for passage. The motion was seconded by Senator Taddiken. Motion carried on a voice vote.

### **Hearing on SB 22 - School districts; no-fund warrants for teacher salaries and benefits.**

Theresa Kiernan, Revisor, explained that **SB 22** authorizes school district to issue no-fund warrants to pay teacher salaries and benefits if the local board determines there are insufficient revenues in the general fund to finance the adopted budget for such purposes. School Districts are required to levy a tax in the next tax levying period to re-pay the warrants ([Attachment 7](#)). The warrants would be issued without the approval of the state Court of Tax Appeals. The authority under the bill would expire on June 30, 2011.

Ms. Kiernan noted that the bill would need a technical amendment in line 21 to change the reference of state Board of Tax Appeals to the state Court of Tax Appeals.

Senator Vratil provided testimony in support of **SB 22** ([Attachment 8](#)). Senator Vratil stated that he would propose three amendments to **SB 22**:

1. Allow school district to use any available revenue to pay off unfunded warrants.
2. Allow Board of Educations to have two years to pay off no-fund warrants.
3. Eliminate the sunset date of June 30, 2011.

## CONTINUATION SHEET

Minutes of the Senate Ways And Means Committee at 10:30 a.m. on February 17, 2009, in Room 545-N of the Capitol.

Responding to a question from the Committee, Dale Dennis, stated that the amendment to allow school districts to use any available revenue would apply only to the general fund, local option budget (LOB) funds and a special levy, noting that no-fund warrants are not popular with school districts and used only when necessary. Capitol Outlay funds could not be used because they are levied for a specific purpose. Mr. Dennis indicated that it would be allowable for school district to accept donations from foundations and others. Mr. Dennis also noted that the LOB could be raised if the district has not reached the 31 percent maximum limitation in statute at the present time.

The Committee expressed concerns that the school district would be required to pay interest on any borrowed funds. The Committee also voiced concern about the limitation on issuing no-fund warrants for teacher salaries and benefits only when a district might have a problem paying for utilities and other necessary expenditures.

The hearing on **SB 22** was closed.

Senator Vratil provided three amendments to **SB 22** (Attachment 9).

Senator Vratil moved to amend **SB 22** by striking the word "Board" on Page 1, Line 21, and inserting the word "Court". The motion was seconded by Senator Teichman. Motion carried on a voice vote.

Senator Vratil moved to amend **SB 22** by deleting Subsection (B) on Page 1, Line 25-26, eliminating the sunset and delete the (a) in Line 13. The motion was seconded by Senator Teichman. Motion failed by a show of hands.

Senator Schmidt moved to amend **SB 22** by extending the sunset to June 30, 2012. The motion was seconded by Senator Wysong. Motion carried on a voice vote.

Senator Vratil moved to amend **SB 22** by striking the word "shall" on Page 1, Line 22 and insert language on Page 1, Line 22, after the word "board" reading "may pay such warrants with revenues from any available source. If there are no available revenues or such revenues are insufficient to pay such warrants, the board shall". The motion was seconded by Senator Schmidt. The motion was withdrawn.

The Committee voiced concern that by authorizing no-fund warrants, the Legislature is requiring school districts to levy additional property tax.

### **Adjournment**

The next meeting is scheduled for February 24, 2009.

The meeting was adjourned at 12:00 p.m.

SENATE WAYS & MEANS COMMITTEE  
GUEST LIST

DATE: \_\_\_ February 17, 2009 \_\_\_

NAME	REPRESENTING
J. M. Sparrow	Judicial Council
Glenn Dick	KPERs
Mark Rozany	Capitol Strategies
Kellin DiRocco	Little Gov. Relations
Berend Koops	Hein Law Firm
Paul Jones	Polaris Industries
Jenny Crow	USD 501

## Follow-up Information on the Sexual Predator Treatment Program

*February 16, 2009*

### Medical Expense Report Break-out (e.g., hospital, ancillary tests, etc.)

Sub-Object Code	FY 2008 Actuals		FY 2009 YTD	
	Total		Total	
2730 Physicians	\$	124,328	\$	53,601
2740 Hospitals	\$	572,551	\$	220,712
2790 Other Fees	\$	22,094	\$	10,050
Sub-Total		\$ 718,973		\$ 284,363
2650 Laboratory Fees	\$	13,623	\$	5,190
2690 Ambulance (not included above)	\$	43,356	\$	30,870
<b>TOTAL</b>		<b>\$ 775,952</b>		<b>\$ 320,423</b>

### Comparison of SPTP (LSH) hours of treatment versus other programs in the United States

SRS is currently polling other state's programs gathering information on the number of treatment and activity hours that they provide. Several programs we contacted did not have this information readily available, and we will provide the comparison as soon as we receive it.

### Utilization review process for SPTP and other LSH programs.

Policy No.: CO-1.19 – Outside Medical Screening Committee

- The purpose of this committee is to review outside medical consultation requests for Larned State Hospital (LSH) patients and determine the appropriate services.

Functions of the Outside Medical Screening Committee are:

- to review all Outside Medical Consultation Requests,
- consultation requests include all outside appointments (emergency and non-emergency);
- to discuss each consultation;
- to determine appropriate services (LSH Clinic, outside consultation, post-discharge, etc.);
- to oversee which outside provider(s) would be best choice for each situation; and
- to suggest to the ordering physician which provider would be the most cost effective (keeping in mind quality patient care at all times).

Participating members:

- (2) Medical Staff
- Reimbursement Administrative Specialist
- Other LSH Staff are Consulted as Needed

Senate Ways & Means Cmte

Date 2-17-2009

Attachment 1

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 16, 2009

**To:** Senate Committee on Ways and Means

**From:** Julian Efird, Principal Analyst

**Re:** SB 196 Bill Brief

SB 196 would amend current law pertaining to retirees of the Kansas Public Employees Retirement System (KPERs) who return to work after retirement on or after July 1, 2009. The bill would clarify state policies for instances in which retirees return to work for the same participating KPERs employer from which they retired, and other instances in which retirees go to work for a different KPERs participating employer. The bill would apply current law regardless of whether retirees return to work under individual contracts, or return to work as employees of a third-party entity which contracts their services with any participating KPERs employer.

## Background

In recent years a number of KPERs retirees have become contracted employees of third-party entities and either returned to work for the same participating KPERs employer from which they retired, or went to work for a different participating KPERs employer. In both instances, neither KPERs nor the State Department of Education was able to impose current state policies about working after retirement. Numerous examples of such situation were reported by state officials when the subject was reviewed by the Joint Committee on Pensions, Investments, and Benefits as recently as the 2008 Interim. The Committee recommended introduction of SB 196 to make the state policies be applied uniformly.

For KPERs retirees returning to work, either as individuals under contract or as contracted employees, for the same participating KPERs employer from which they retired, a \$20,000 annual cap on their earnings will be applied in all cases. For KPERs employees going to work either as individuals under contract or as contracted employees, for a different participating KPERs employer, an actuarial assessment shall be paid by the new participating employer.

LJE/jl

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*State of Kansas*



*Senate President*

COMMITTEE ASSIGNMENTS

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LEGISLATIVE COORDINATING  
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NCSL AGRICULTURE AND ENERGY  
COMMITTEE

MEMBER: AGRICULTURE  
FEDERAL & STATE AFFAIRS  
PENSIONS, INVESTMENTS AND  
BENEFITS  
STATE BUILDING CONSTRUCTION  
STATE FINANCE COUNCIL  
CSG EXECUTIVE COUNCIL  
ENERGY COUNCIL EXECUTIVE  
COMMITTEE

**SENATE BILL 196**

Thank you Senator Emler and fellow colleagues for allowing me to present written testimony in favor of SB 196.

This legislation has been introduced by the Joint Committee on Pensions as an effort to correct an impropriety that exists within the KPERS system. Currently when an employee retires from a school district an earnings cap applies restricting the former employee from earning more than \$20,000.00 from the same school district from which they are retiring. The cap is in place to discourage teachers from retiring, receiving full KPERS benefits and continuing their teaching career.

Under current law, a teacher who becomes employed by a different school district has no \$20,000.00 earnings cap but the district that employs the now retired individual receiving full KPERS benefits pays a 15% surcharge of the gross salary to KPERS. The number of retired educators taking advantage of this employment arrangement became exacerbated when the legislature enacted the "Rule of 85" which allows employees to retire when their years of service and age reach 85. This has allowed lifetime teachers to retire at a relatively younger age, receive KPERS benefits and still have the desire and the ambition to teach.

Additionally this has created the new service of third-party providers that employ retired teachers and contracts with school districts to supply teacher services. The contracting agency is not required to pay the 15% of gross salary to KPERS nor is there a \$20,000.00 earnings cap restriction. And because the teacher is actually employed by the contracting agency and not a school district, the teachers are allowed to continue teaching in the district where they have been employed for a lifetime. Therefore teachers are retiring, receiving full KPERS benefits and continuing their teaching profession with no interruption or change to their life or their lifetime career. This is all a far reach from the intent of the legislature of providing retirement security and even the enactment of the Rule of 85 that was established to allow professionals more quality years of retirement.

The result of this is a huge financial burden to our already fragile KPERS Pension System. This legislation is designed to level the playing field. SB 196 requires employees of third-party providers to fall under the \$20,000.00 earnings cap for continuing to teach in the same district in which they have been recently employed or for the third-party providers to pay the 15% surcharge of gross salary to KPERS if employed by a different school district.

I encourage your support of this legislation in order to maintain the integrity of the retirement program for all state employees.

Senate Ways & Means Cmte

Date 2-17-2009

Attachment 3

KANSAS  
ASSOCIATION



OF  
SCHOOL  
BOARDS

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Testimony on **SB 196**  
before the  
**Senate Committee on Ways and Means**

**Mark Tallman, Assistant Executive Director/Advocacy**  
Kansas Association of School Boards

**February 16, 2009**

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to appear on **SB 196**, which was recommended by the Joint Committee on Pensions, Investments and Benefits to address the issue of using contractors to avoid paying the KPERs “surcharge” for hiring individuals who have retired but returned to work.

Since it was first proposed several years ago, KASB has opposed the surcharge because we believe it has an unfair impact on individual school districts. Unlike some other public employers, a majority of a school district’s payroll must meet *state* licensure standards. School districts should not have to pay a financial penalty when the best – and sometimes the only – applicant for a position is an individual who retired from another school district under the *state’s* 85 points rule. Yet this is exactly what the “surcharge” does. Moreover, the additional cost of the surcharge reduces funding available for other positions in the district. In addition, if a district cannot find a qualified employee, the position might have to be left unfilled, which would result in a loss of KPERs contributions. This situation has led some districts to use contractors, despite concern expressed by KPERs staff, the Kansas State Department of Education and KASB legal staff. Under that arrangement, the district is not required to pay the surcharge because the contractor is the actual employer. This approach appears to be a creative but questionable way to avoid the surcharge under state KPERs statutes, but the practice raises other legal and tax questions.

If the Legislature continues to allow the use of contract employees for this purpose, it means the only districts paying the surcharge are those following both the letter and spirit of the law. It creates an incentive to skirt the edges of what is legal and take risks with the federal tax code. We do not see how this is good public policy.

Therefore, we support the intent of **SB 196**, which clarifies that contractors should not be used to circumvent the surcharge. At the same time, urge this bill be amended to allow the surcharge to be waived for employees in shortage areas.

Thank you for your consideration.

Senate Ways & Means Cmte  
Date 2-17-2009  
Attachment 4



MARY ANN TORRENCE, ATTORNEY  
REVISOR OF STATUTES

JAMES A. WILSON III, ATTORNEY  
FIRST ASSISTANT REVISOR

GORDON L. SELF, ATTORNEY  
FIRST ASSISTANT REVISOR



OFFICE OF REVISOR OF STATUTES  
KANSAS LEGISLATURE

Legal Consultation—  
Legislative Committees and Legislators  
Legislative Bill Drafting  
Legislative Committee Staff  
Secretary—  
Legislative Coordinating Council  
Kansas Commission on  
Interstate Cooperation  
Kansas Statutes Annotated  
Editing and Publication  
Legislative Information System

TO: Ways and Means Committee

FROM: Theresa Kiernan, Senior Assistant Revisor of Statutes

RE: Senate Bill No. 74

Date: February 17, 2009

Senate Bill No. 74 amends a provision in the cash-basis law. The bill creates an exception for expenditures by school districts in excess of current revenues. The exception is conditioned upon a the deficit or shortage in revenues which is caused by, or a result of, the late payment of general or supplemental general state aid. The exception would be on-going in nature. There was a similar exception enacted in 2003, but it expired in 2007.

Violations of the cash-basis law are grounds for removal or ouster from office. In addition, a fine of up to \$1,000 may be imposed. [See K.S.A. 10-1121]

RS- C:\My Files\Docs\SB74expr.wpd (tkiernan)

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Senate Ways & Means Cmte  
Date 2-17-2009  
Attachment 5

# State of Kansas

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## Vice President Kansas Senate

COMMITTEE ASSIGNMENTS  
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AND RULES  
INTERSTATE COOPERATION  
KANSAS CRIMINAL  
CODE RECODIFICATION  
COMMISSION

Testimony Presented to  
Senate Ways and Means Committee  
By Senator John Vratil  
February 17, 2009  
Concerning Senate Bill 74

Good morning! Thank you for the opportunity to appear before the Senate Ways and Means Committee in support of Senate Bill (SB) 74. Senate Bill 74 allows the state to make the balance of its fiscal year 2008-2009 state aid payment to a school district after June 30.

Under current law, if the state failed to make a state aid payment on or before June 30, a school district could be forced to violate the state's cash-basis law. The violation would occur because the school district would not have sufficient funds available to it on or before June 30 to pay obligations incurred prior to June 30. Senate Bill 74 would enable school districts to make local school payments after June 30 and not violate the cash-basis law.

Please support SB 74. It complements the legislation proposed in SB 22 and it supports the ability of our school districts to address the challenges that will face them in the coming months as our state moves through tough financial times.



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Senate Ways & Means Cmte  
Date 2-17-2009  
Attachment 6

MARY ANN TORRENCE, ATTORNEY

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OFFICE OF REVISOR OF STATUTES  
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Secretary—  
Legislative Coordinating Council  
Kansas Commission on  
Interstate Cooperation  
Kansas Statutes Annotated  
Editing and Publication  
Legislative Information System

TO: Ways and Means Committee

FROM: Theresa Kiernan, Senior Assistant Revisor of Statutes

RE: Senate Bill No. 22

Date: February 17, 2009

Senate Bill No. 22 authorizes school districts to issue no-fund warrants to pay teacher salaries and benefits if the local board determines there are insufficient revenues in the general fund to finance the adopted budget for such purposes. Districts are required to levy a tax in the next tax levying period to re-pay the warrants. The warrants would be issued without the approval of the state court of tax appeals.

The authority to issue no-fund warrants under the bill expires on June 30, 2011.

The procedure to issue no-fund warrants under Senate Bill No. 22 is a much simpler procedure than the procedure a school district would have to follow if it chose to issue no-fund warrants under K.S.A. 79-2938 or 79-2939 [See attached]. Those sections require the approval of the state court of tax appeals (COTA), impose additional requirements which must be met for approval and require the holding of a hearing by COTA. No-fund warrants issued under these two sections may be paid off over a five-year period.

The bill would need a technical amendment in line 21 to change the reference of state *board* of tax appeals to the state *court* of tax appeals.

RS- C:\My Files\Docs\sb22exp.wpd (tkiernan)

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Senate Ways & Means Cmte

Date 2-17-2009

Attachment 7

**79-2938. No-fund warrants for shortages in revenue, when; procedure; limitation of amount; notice and hearing; protests; tax levy to pay.** Whenever during the current budget year it becomes apparent to the governing body of any taxing district that because of unforeseen circumstances the revenues of the current budget year for any fund are insufficient to finance the adopted budget of expenditures for such fund for the current budget year, the governing body may make application to the state court of tax appeals for authority to issue warrants to pay for such budgeted expenditures. The application shall be signed and sworn to, and shall have a majority approval of any governing body composed of three members or less, and a 3/4 majority of any governing body composed of more than three members. The application shall reveal the following: (1) The circumstances which caused the shortage in revenues; (2) a copy of the budget adopted for the current budget year; and (3) a detailed statement showing why the budget of expenditures cannot be reduced during the remainder of the current budget year so that additional revenue will not be necessary. If the state court of tax appeals shall find that the evidence submitted in writing in support of the application shows:

(a) That the adopted budget of revenues balanced with the adopted budget of expenditures;  
(b) that the governing body exercised prudent judgment at the time of preparing the budget of revenues; and

(c) that the budget of expenditures cannot be reduced during the remainder of the current budget year so that additional revenue will not be necessary, the state court of tax appeals is empowered to authorize the issuance of warrants for the payment of that portion (in dollars) of the unfinanced budget of expenditures which the state court of tax appeals deems necessary. The amount of such warrants for any fund of any taxing district shall not exceed 25% of the amount of money that could have been raised by levy for such fund under the individual fund limit for the payment of expenses for the current budget year, nor shall the amount of such warrants for any fund, of any taxing district exceed 25% of the amount of money that could have been raised by levy for such fund under the limitation placed upon such fund by reason of the aggregate limit, and in no case shall the total amount of such warrants for all funds exceed 25% of the amount of money that could have been raised by levy within the aggregate limit prescribed by law for such taxing district for the payment of expenses of the current budget year. The limitations of the foregoing provision shall have no application to funds for payment of general obligation bonds and interest thereon.

No order for the issuance of such warrants shall be made without a public hearing before the state court of tax appeals conducted in accordance with the provisions of the Kansas administrative procedure act. In addition to notice to the parties, notice of such hearing shall be published in two issues of a paper of general circulation within the district applying for such authority at least 10 days prior to such hearing. The notice shall be in such form as the state court of tax appeals prescribes, and the expense of such publication shall be borne by the taxing district making application. Any taxpayer interested may file a written protest against such application. Any member of the governing body of the taxing district making an application hereunder may appear and be heard in person at such hearing in support of the application. All records and findings of such hearings shall be subject to public inspection. Whenever the authority to issue warrants under this section is granted, the governing body of such taxing district shall make a tax levy, at the first tax-levying period after such authority is granted, sufficient to pay such warrants, and such tax levy may be levied outside of the aggregate tax levy limit prescribed by law.

**79-2939. No-fund warrants for emergencies, when; procedure; limitation of amount; notice and hearing; protests; tax levy to pay.** Whenever there is an unforeseen occurrence which causes an expense in any fund of any municipality or other taxing district which could not have been anticipated at the time the budget for the current budget year was prepared, and by reason of such unforeseen occurrence the governing body of any such municipality or taxing district is of the opinion that it will be impossible to pay for such unforeseen expense and pay for the imperative functions of the fund without incurring indebtedness in excess of the adopted budget of expenditures for the current budget year, the governing body may make application to the state court of tax appeals for authority to issue no-fund warrants to pay for such unforeseen expense. The application shall be signed and sworn to, and shall have a majority approval of any governing body composed of three members or less, and a 3/4 majority of any governing body composed of more than three members. The application shall reveal: (1) The nature of the unforeseen occurrence; (2) a copy of the final budget adopted for the current budget year; and (3) a detailed statement showing why the budgeted expenditures for the current budget year cannot be reduced during the remainder of the current budget year so that the total expenditure for the current budget year, including the unforeseen expense, will not exceed the adopted budget. If the state court of tax appeals shall find that the evidence submitted in writing in support of the application shows:

(a) There was an occurrence which could not have been foreseen at the time the budget for the current budget year was prepared; and

(b) that from the time of such unforeseen occurrence to the end of the current budget year it will be impossible to reduce the expenditures of the adopted budget to the extent the total expenditure for the current budget year, including the unforeseen expense, will not exceed the adopted budget, the state court of tax appeals is empowered to authorize the issuance of warrants for the payment of that portion (in dollars) of such unforeseen expense which must be in excess of the adopted budget. The amount of such warrants for a public utility fund shall not exceed the amount of money on hand in the utility fund not required for budgeted expenses. The amount of such warrants for any fund, excepting public utility funds, of any municipality or other taxing district, other than a township, shall not exceed the amount of money that could have been raised by levy for such fund under the individual fund limit for the payment of expenses of the current budget year, nor shall the amount of such warrants for any fund, of any municipality or other taxing district, other than a township, exceed the amount of money that could have been raised by levy for such fund under the limitation placed upon such fund by reason of the aggregate limit, and in no case shall the total amount of such warrants for all such tax funds, other than warrants issued by a township, exceed the amount of money that would have been raised by levy within the aggregate limit prescribed by law for such municipality or other taxing district for the payment of expenses of the current budget year.

No order for the issuance of such warrants shall be made without a public hearing before the state court of tax appeals conducted in accordance with the provisions of the Kansas administrative procedure act. In addition to notice to the parties, notice of such hearing shall be published in two issues of a paper of general circulation within the district applying for such authority at least 10 days prior to such hearing. The notice shall be in such form as the state court of tax appeals prescribes, and the expense of such application shall be borne by the municipality or taxing district making application. Any taxpayer interested may file a written protest against such application. Any member of the governing body of the municipality or other taxing district making application hereunder may appear and be heard in person at such hearing in support of the application. All records and findings of such hearings shall be subject to public inspection.

Whenever the authority to issue warrants under this section is granted, the governing body of such municipality or other taxing district shall make not more than five equal annual tax levies, as determined by the state court of tax appeals, except as to any public utility funds, at the next succeeding tax-levying periods after such authority is granted, sufficient to pay such warrants, and such tax levy or levies may be levied outside of the aggregate tax levy limit prescribed by law. If there is money in the fund over and above the amount needed for the adopted budget, such money shall be used and the tax levy or levies shall be only for the difference, if any, between the money available and the amount of warrants issued. Any municipality having a surplus in any public utility fund may use such surplus to pay the warrants authorized by the state court of tax appeals under this section. When the money must be raised by a tax levy the taxing unit may issue and sell at par no-fund warrants in multiples of \$100 and place the money in the fund and issue regular warrants in the usual manner. Whenever any municipality or taxing district receives insurance money in payment of damage occasioned by the unforeseen occurrence, and authority to issue warrants is authorized by the state court of tax appeals under this section, such insurance money shall be deposited with the county treasurer immediately and used by the county treasurer in lieu of ad valorem taxes as provided in K.S.A. 79-2940, and amendments thereto. This section shall not require a deposit of insurance money in excess of the total amount of such warrants and interest thereon.

**79-2940. No-fund warrants; issuance, interest, form, registration, redemption and transfer of surplus funds to general fund.** A certified copy of orders issued by the state court of tax appeals authorizing the issuance of warrants in accordance with the provisions of K.S.A. 79-2938 and 79-2939, and amendments thereto, shall be delivered by the state court of tax appeals to the county treasurer, county clerk, and clerk of the municipality or other taxing district. Warrants issued thereunder shall be issued in like manner as other warrants, or such warrants in multiples of \$100 not exceeding the amount authorized and to be raised by tax levy may be issued and sold at par and the money placed in the fund and paid out on regular warrants, and the warrants or single warrant issued under this section shall bear interest at the rate of not more than the maximum rate of interest prescribed by K.S.A. 10-1009, and amendments thereto, except that such warrants shall be made payable at the office of the county treasurer, shall be designated on their face as "no-fund warrants," and shall also bear the notation "issued pursuant to authority granted by order No. \_\_\_\_\_, dated \_\_\_\_\_ of the state court of tax appeals."

Such warrants, when presented to the county treasurer, shall be registered in accordance with the provisions of K.S.A. 10-807 and 10-808, and amendments thereto. No warrants shall be registered in excess of the amount authorized by the state court of tax appeals. The county treasurer shall maintain a separate register for such warrants and all warrants issued under a particular order of the state court of tax appeals shall be registered under the particular order number in the register. When the tax levy to redeem warrants issued under K.S.A. 79-2938 and 79-2939, and amendments thereto, is made, the county treasurer shall keep the proceeds of such tax levy in a separate fund and charge the warrants against such fund when paid. In the event a surplus exists in any such fund at any tax levying time, the county treasurer shall certify the amount of such surplus to the county clerk and the county clerk shall deduct the levy equivalent of such surplus from the general fund tax levy of such district, and the maximum general fund levy and aggregate limit of such taxing district shall be reduced accordingly, and that amount of surplus shall be considered and used as revenue in lieu of ad valorem taxes for such taxing district.

On January 1 following such action by the county clerk, and in that event only, the county treasurer shall transfer to the general fund of such taxing district the amount of surplus as used by the county clerk in reducing ad valorem taxes, except that the governing body of any city may request, by resolution, that the county treasurer pay to the city treasurer all money collected from the levy for the payment of emergency warrants. Upon presentation of such resolution, the county treasurer shall pay to the city treasurer all moneys collected from the levy for the payment of such warrants and the city treasurer shall deposit the money in the bond and interest fund and redeem the emergency warrants for which such levy was made and shall forthwith exhibit such redeemed warrants to the county treasurer who shall record such redemption in the warrant register. The provisions of this act shall not apply to utilities managed, operated and controlled by a board of public utilities as provided for by chapter 126 of the Laws of Kansas for 1929.

7-4

JOHN VRATIL  
SENATOR, ELEVENTH DISTRICT  
JOHNSON COUNTY  
LEGISLATIVE HOTLINE  
1-800-432-3924

# State of Kansas



## Vice President Kansas Senate

COMMITTEE ASSIGNMENTS  
VICE CHAIR: EDUCATION  
WAYS AND MEANS  
MEMBER: JUDICIARY  
ORGANIZATION, CALENDAR  
AND RULES  
INTERSTATE COOPERATION  
KANSAS CRIMINAL  
CODE RECODIFICATION  
COMMISSION

Testimony Presented to  
Senate Ways and Means Committee  
By Senator John Vratil  
February 17, 2009  
Concerning Senate Bill 22

Good morning! Thank you for the opportunity to appear before the Senate Ways and Means Committee in support of Senate Bill (SB) 22. Senate Bill 22 would enable school districts to issue no-fund warrants in order to pay teachers salaries and benefits if a board of education determines that there are insufficient revenues in the district's general fund to meet its financial obligations to teachers and administrative and support staff.

Senate Bill 22 would enable a district's Board of Education to act without the approval of the State Court of Tax Appeals. It would require the Board to levy a tax at the first opportunity to repay the no-fund warrants.

Please note that an amendment will be necessary to SB 22 to remove the expiration date appearing in Section 1. (b), lines 25 and 26.

Please support Senate Bill 22. It will provide a safety valve for school districts as they move through the financial challenges facing them and our state in the next few years.

A handwritten signature in black ink that reads "John Vratil".

HOME  
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LEAWOOD, KS 66206  
(913) 341-7559  
jvratil@lathropage.com

DISTRICT OFFICE  
10851 MASTIN BLVD.  
SUITE 1000  
OVERLAND PARK, KS 66210-2007  
(913) 451-5100  
FAX (913) 451-0875

Senate Ways & Means Cmte  
Date 2-17-2009  
Attachment 8

**SENATE BILL No. 22**

By Committee on Ways and Means

1-13

9 AN ACT concerning school districts; relating to the issuance of no-fund  
10 warrants.

11  
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. (a) The board of education of any school district may issue  
14 no-fund warrants for the purpose of paying teacher salaries and benefits  
15 if the board determines that the revenues of the current school year for  
16 the general fund of the district are insufficient to finance the adopted  
17 budget of expenditures for such fund. Such no-fund warrants shall be  
18 issued by the board in the manner and form and shall bear interest and  
19 be redeemable in the manner prescribed by K.S.A. 79-2940, and amend-  
20 ments thereto, except that the warrants may be issued without the ap-  
21 proval of the state board of tax appeals, and without the notation required  
22 by such section. The board shall make a tax levy at the first tax levying  
23 period after such warrants are issued, sufficient to pay such warrants and  
24 the interest thereon.

25 (b) The authority to issue no-fund warrants under this section shall  
26 expire on June 30, 2011.

27 Sec. 2. This act shall take effect and be in force from and after its  
28 publication in the Kansas register.

pay such warrants with revenues from any available source. If there are no available revenues or if such revenues are insufficient to pay such warrants, the board may

Senate Ways & Means Cmte  
Date 2-17-2009  
Attachment 9



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board, at the next succeeding tax-levying periods

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