

SESSION OF 2003

**CONFERENCE COMMITTEE REPORT
SENATE BILL NO. 4**

As Agreed to March 17, 2003

Brief*

SB 4 would amend the Cash Basis Law by adding an exception for school districts. The exception would exempt school districts from the law's provisions when they experience a shortage of revenue due to late payments of general state aid. The exemption would be retroactive and apply to school year 2001-02 and to school years 2002-03 through 2006-07, inclusive.

Background

The Cash Basis Law (KSA 10-1101 *et seq.*) applies to municipalities, including school districts, and makes it unlawful for them to create any indebtedness in excess of the amount of funds actually on hand. The situation that prompted the introduction of SB 4 is that, because of a revenue shortfall in the State General Fund at the end of FY 2002, the state was not able to make the final general state aid payment to school districts, which was due June 15. Instead, the payment, which amounted to \$103.4 million, was made at the beginning of FY 2003 and school districts got their final FY 2002 payment the first week of July.

Virtually all districts in the state were given an audit exception by the certified public accounting firms that conduct required annual audits of school districts. Even though the late payment was beyond the control of the districts, it is part of the permanent record that they are in violation of the Cash Basis Law because they had incurred obligations for which revenues were not available. SB 4 would address the situation through school year 2006-07 by providing an exception to the law for school districts in the event general state aid

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payments are late and by making that exception retroactive so that those districts cited last year will be deemed not to have violated the Cash Basis Law.

As introduced and passed by the Senate, the bill would have made the exception retroactive to apply to school year 2001-02 and would have made the exception apply to all future years.

The House Committee of the Whole amended the bill to apply the exception to school years 2001-02, 2002-03, and 2003-04. The Conference Committee agreement would apply the exception to school years 2001-02 through 2006-07, inclusive.

There would be no fiscal impact due to the passage of SB 4.