

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR August "Gus" Bogina at
Chairperson

11:00 a.m./p.m./ on January 30, 1986 in room 123-S of the Capitol.

All members were present except:
Senator Werts

Committee staff present:
Research Department: Robin Hunn, Scott Rothe
Revisor's Office: Norman Furse
Committee Office: Judy Bromich

Conferees appearing before the committee:
Jim Murphy, Governor's Office
Stanley Koplik, Executive Director, Kansas Board of Regents
Rick von Ende, Executive Secretary, University of Kansas
Sidney A. Shapiro, Professor of Law, University of Kansas

INTRODUCTION OF BILLS

Mr. Murphy requested that the committee introduce a measure to increase compensating use tax and sales tax; and to increase the threshold for refund of sales taxes on food. He noted that this will include language contained in HB 2687.

Motion was made by Senator Gaines and seconded by Senator Harder to introduce the bill requested by Mr. Murphy. The motion carried by voice vote.

The Chairman noted that a request had been received from the Department of Corrections for introduction of two bills. The first contains an amendment regarding supplementary grant funds; and the second contains amendments regarding imprest funds established for institutions of the department of corrections.

Motion was made by Senator Feleciano and seconded by Senator Kerr to introduce the two bills requested by the Department of Corrections. The motion carried by voice vote.

The Chairman called upon Mr. Koplik to present the FY 1986 Supplemental requests of the State Board of Regents.

Mr. Koplik distributed an explanation of the FY 1986 Supplemental Requests (Attachment A) and proceeded to discuss them before the committee. Following his presentation of the section on Recruiting Expenses, Senator Bogina asked if the rumor about the decline of excellence at Kansas Universities is true. Mr. Koplik said he felt Kansas schools would rank as high as any in the nation, although there is some mediocrity. He noted that, on balance, Kansas institutions are strong. He indicated that there had been some erosion in the past, but the reputation of higher education in Kansas is excellent at the present time. He indicated, however, that if a continued effort is not made to improve higher education, Kansas will fall behind in the next five years.

Senator Doyen broached the subject of change in the system of higher education, and focusing on the future. Mr. Koplik suggested that it is difficult to make a small change (for instance, a suggestion a few years ago that KTI be merged with KSU). He questioned if there could be agreement on larger issues, such as that of having too many institutions providing the same type of education. He stressed the need for communication and understanding between the Board of Regents and the Legislature, since the ground is fertile for new ideas.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S, Statehouse, at 11:00 a.m./p.m. on January 30, 1986

There was discussion concerning the supplemental request for general fee shortfalls. Mr. Koplik noted that the shortfalls are at Emporia State University and Kansas Technical Institute. In answer to a question from Senator Bogina, he said some schools exceeded their fee fund estimates, but the funds cannot be spent until a release is granted.

Supplementing his remarks in his printed presentation, Mr. Koplik stated that it is difficult to build the amount of accrued sick leave for retirees into the estimated turnover. He added that turnover would need to be increased to cover this expense, and suggested if positions needed to be kept vacant to fund the accrued sick leave, why have the position in the first place? When asked why the amount isn't requested within the amount for salaries and wages, Mr. Koplik said it would be an estimate and this Committee had requested the actual amount.

There were questions concerning the request in connection with implementation of Statewide Telecommunications System. During questioning from committee members, Mr. Koplik said the ^{budgeted} funds normally used for telecommunications have been pledged to the Certificate of Participation for the statewide system. When asked by Senator Bogina about any savings involved in this system, Mr. Koplik said the savings will come after eight years when the debt for the system is retired.

Mr. Koplik proceeded to review his requests. When asked what amount would be retained if the fees were released (Request No. 9), he said the balance would be \$100,000 at the major institutions and \$50,000 at the smaller institutions. Senator Doyen asked if fees released could be spent in lieu of State General Fund moneys. Mr. Koplik indicated he is not in favor of that idea.

Mr. von Ende reviewed supplemental requests relating to the University of Kansas Medical Center. In connection with Requests No. 5 and No. 6, he said the Medical Center wants to negotiate for this insurance rather than go through the bidding process. He said that most states negotiate for such insurance.

During discussion of Request No. 7, there were several questions from members of the committee. Senator Gannon asked if it were possible to include residents in negotiated insurance. Mr. von Ende said he did not feel it would be possible, since schools cover each others' medical students when they transfer to other hospitals.

Mr. von Ende and Sen. Feleciano discussed a recommendation by the insurance commissioner to purchase insurance rather than to self-insure. Mr. von Ende said the Insurance Commissioner feels that 1985 SB 362 should be abandoned, and that the Medical Center should return to purchasing insurance.

Mr. von Ende then commented on the General Fees Release request. He said he has a major concern in the revisions in hospital revenue and restricted fee figures. He noted that the Governor has increased the revenue estimate by \$5 million each year, but not the transfer fees.

Mr. von Ende said he would send additional material about the subject matter covered at this meeting to the Chairman.

Mr. Shapiro distributed his written statement (Attachment B) and presented it to the committee. Members were given the opportunity to question him.

Following distribution of subcommittee assignments for appropriations bills, the meeting was adjourned by the Chairman.

FY 1986 SUPPLEMENTAL REQUESTS

- 1. Recruiting Expenses - \$25,000
In June 1985, Dr. Acker announced his resignation from the Kansas State University presidency, effective July 1, 1986. In order to conduct a search for his replacement during FY 1986, the Board requests a supplemental appropriation of \$25,000. This amount is consistent with the amount requested and received to finance presidential searches at The University of Kansas and Wichita State University during the past five years.

2. Supplementals for General Fee Shortfalls (ESU and KTI)- \$31,502 (see attached table)
Under current legislative policy, once an institution's total general use expenditure level is determined it should remain unchanged throughout the course of the fiscal year. However, enrollment decreases may result in decreases in anticipated general fee revenue, which should be offset by additional general fund appropriations in order to restore the total budget to the level previously approved.

(The above amounts are based on Fall 1985 revised fee estimates; updated estimates based on Spring enrollments will be provided in mid-February.)

3. Payments for Accrued Sick Leave - \$909,100 (see attached table)
KSA 75-5517 provides that classified and unclassified employees retiring from state service shall receive compensation for accrued sick leave within certain limits. Although this represents a large annual expenditure at the Regents institutions, they have not received funding for this specific purpose. In denying a FY 1986 request last year, the Senate Sub-committee recommended that the institutions submit supplemental requests based upon actual payments made during FY 1986. The Council of Business Officers recommended that each institution submit a request to the Board in June based upon FY 1985 actual expenditures, subject to revision during the 1986 Session of the Legislature. (Revised estimates will be forwarded to the Ways and Means Committees by February 1, 1986.)

● Recommended by the Governor

S. W. J. M. 1/30/86
A 1-30-86

4. Implementation of Statewide Telecommunications System-
\$665,999 (see attached table)

Between January 1986 and June 1987, the State will construct a statewide telecommunications system which, according to the Department of Administration, can be funded through present telecommunications budgets.

However, the Regents institutions' current telecommunications budgets do not include funding to cover costs for repairs, maintenance, billing and customer service, all of which are services once provided by the telephone company.

● 5. KUMC - Hospital Liability Insurance - \$461,928

The 1985 Legislature authorized \$402,100 for FY 1986 to finance Hospital liability insurance costs, including both the basic premium and the surcharge to the Health Care Stabilization Fund. After bids were received, the lowest bid, including the required surcharge, resulted in a total cost of \$864,028 or \$461,928 greater than the approved level.

● 6. KUMC - Malpractice Insurance for Undergraduate Students
\$150,625

Actual FY 1985 expenditures for undergraduate medical student liability insurance amounted to \$23,690. Allowing for the five percent increase in OOE approved for FY 1986 by the 1985 Legislature, the approved FY 1986 budget totals \$24,875. Actual bids received for the coverage will require an expenditure of \$175,000, or \$150,625 above the approved budget level.

7. Resident Malpractice Insurance - \$217,427

The 1985 Legislature enacted Senate Bill 362 which directed the University of Kansas Medical Center to provide liability coverage for housestaff by self insurance.

Because of uncertainties and problems associated with self-insuring of residents, in October the Board of Regents acted to support passage of legislation that would again permit the institution to insure housestaff by the purchase of insurance. For cost estimation purposes, it was assumed that the Legislature would enact the legislation in time to permit the purchase of insurance for the last quarter of the current Fiscal Year, and that the legislation would make provision for the institution to receive a credit for one-fourth of the \$660,000 surcharge paid into the Health Care Stabilization Fund under the provisions of Senate Bill 362.

● Recommended by the Governor

The supplemental is computed as follows:

FY 1985 Actual Premiums + 25% Increase	\$728,432
Plus 110% Surcharge	<u>801,276</u>
Total FY 1986 cost	<u>\$1,529,708</u>
Cost for Last Quarter	\$382,427
Less Credit for Payment to HCSF	<u>165,000</u>
Supplemental Request	<u>\$217,427</u>

• 8. WSU - Technical Adjustment for Unclassified Retirement-
\$100,000

Upon review of the FY 1986 appropriation bill by the institutions and legislative staff subsequent to the Governor's signing of the bill, it was determined that funding for unclassified retirement contributions was understated by \$100,000. Legislative staff agreed that a technical adjustment would be necessary and encouraged the institution to request a supplemental appropriation to restore retirement funds to the proper amount.

9. Release of General Fees - \$2,431,586 (see attached table)

Institutions should not be permitted to spend excess general fee revenues merely because general fee revenues are greater than originally projected. However, the request for release of excess general fees can be justified on the basis that the Board's original FY 1986 request for program improvements was not fully funded by the 1985 Legislature, by \$2.6 million.

(The above amounts are based on Fall 1985 revised fee estimates; updated estimates based on Spring enrollments will be provided in mid-February.)

• Recommended by the Governor

FISCAL YEAR 1986 SUPPLEMENTAL REQUESTS

Requests for Supplemental Appropriations from the State General Fund						Requests for Release of Excess General Fees
Systemwide Requests					Total General Fund Supplemental Requests	
	Sick Leave Payments	Telephone System	General Fee Shortfall	Individual Requests		
KU	200,000	220,225	0	0	420,225	804,772
KUMC	115,000	243,599	0	829,980	1,188,579	0
KSU	248,400	142,500	0	0	390,900	474,588
KSUVMC	20,000	0	0	0	20,000	15,729
WSU	98,600	0	0	100,000	198,600	782,002
ESU	90,100	16,011	11,251	0	117,362	0
PSU	96,400	18,873	0	0	115,273	290,863
FHSU	40,600	9,742	0	0	50,342	63,632
KTI	0	15,049	20,251	0	35,300	0
BOARD OFFICE	0	0	0	25,000	25,000	0
TOTAL	909,100	665,999	31,502	954,980	2,561,581	2,431,586

**FISCAL YEAR 1987 OPERATING BUDGET REQUEST OVERVIEW
BOARD OF REGENTS INSTITUTIONS**

FISCAL YEAR 1986 BASE OPERATING BUDGET

The Fiscal Year 1986 General Use base budget for the Regents system is approximately \$464.3 million. Table 1 summarizes the current year's operating budget by source of fund. This budget provides for the education of almost 79,000 students enrolled in the Regents system and supports research and public service activities which are vital to the state's economy.

Under current policy, the Board of Regents sets tuition rates so that systemwide tuition income defrays approximately 25% of the cost of the educational program. For the current fiscal year, the systemwide fee-cost ratio is 24.8% while ratios for individual institutions range from 19.2% to 28.4%. These figures were calculated using procedures established by the Legislature in the late 1960's.

Revenue estimates for KUMC's Bell Memorial Hospital have been revised upward by \$3 million since the Fiscal Year 1986 appropriations bill was passed. The Board of Regents has requested permission to transfer \$1.6 million of that additional revenue into restricted fee and service clearing accounts to provide supplies and equipment needed by the hospital to meet additional demands; the remainder would be deposited to the General Fund.

TABLE 1
GENERAL USE BASE OPERATING BUDGET
REGENTS SYSTEM

Source of Funds	FY 1986 General Use Base Budget
State General Fund	\$309,623,670
General Fees	75,701,459
Hospital Revenue	71,965,867
Land Grant Funds	6,977,564
Total	\$464,268,560

FISCAL YEAR 1987 OPERATING BUDGET REQUEST

The Board of Regents' request includes the following systemwide recommendations: 7% increase in all salaries (unclassified employees, classified employees and students); 1% increase in the state's contribution to faculty retirement; 7% increase in other operating expense support; 5% increase in utilities. In addition, the Board's request includes a base budget reduction of \$1.6 million to reflect recent enrollment declines at the Regents universities.

The Board of Regents have also requested approximately \$17.9 million in program improvements for the individual institutions. Those improvements fall into such categories as: economic development and high technology (\$2.4 million), instructional equipment and computing (\$3.2 million), library staffing and acquisitions (\$1.2 million), and medical education and health care (\$5.5 million). Table 2 summarizes base budget increases which the Board has requested for Fiscal Year 1987.

TABLE 2

BOARD OF REGENTS OPERATING BUDGET
REQUESTED INCREASES
FISCAL YEAR 1987

Systemwide Request	
7% Salary Increase	\$24.9 million
1% Additional Faculty Retirement	1.7
7% Other Operating Expense Increase	6.1
5% Utilities Increase	1.1
Enrollment Adjustment	(1.6)

Total Systemwide Request	\$32.2 million
Institutional Program Improvements	\$17.9 million

GRAND TOTAL	\$50.1 million

The Governor's basic budget includes the following systemwide recommendations: 2% increase in other operating expenses and the \$1.6 million reduction due to recent enrollment declines. The investment budget provides a 4% increase in other operating expenses, the \$1.6 million enrollment-related budget reduction and also includes a recommendation that the state pay the individual's share of the retirement program (unclassified employees currently contribute 5% of salary while classified employees contribute 4%).

The Governor's basic budget includes approximately \$500,000 in program improvement funding while the investment budget would fund approximately \$6.1 million of those institutional requests. The following table summarizes the increases requested by the Board of Regents and those recommended by the Governor under both alternative budget recommendations.

TABLE 3
REQUESTED INCREASES
FISCAL YEAR 1987

Source of Funds	Board of Regents	Governor's Recommendation	
	Request	Basic	Investment
State Gen. Fund	\$46,443,908	(\$16,780,873)	\$4,119,127
General Fees	2,795,817	6,678,200	6,678,200
Hospital Revenue	1,024,829	10,833,086	10,833,086
Land Grant Funds	(136,865)	(136,865)	(136,865)
Total	\$50,127,689	\$593,548	\$21,493,548

Under the Governor's basic budget recommendation, the Regents system's share of the State General Fund would decline from its current level of 18.3% to 17.7% in Fiscal Year 1987 while the fee-cost ratio would increase to almost 26%.

Table 3 shows that under the Governor's basic budget, increases in tuition income and hospital revenue are used to offset a \$16.8 million reduction in State General Fund support. Even under the proposed investment budget, more than 75% of the increase in General Use support is funded by those two sources of revenue (tuition and hospital revenue).

The Board of Regents has approved a tuition increase of approximately 5% for Fiscal Year 1987. The Board has adopted a policy of annually re-evaluating the tuition rates at its institutions. A special committee consisting of Regents, university presidents and students has already been appointed to recommend tuition charges for FY 1988.

The increases in hospital revenue included in the Governor's recommendation are considerably larger than the amount most recently estimated by the University and approved by the Board of Regents last month (in December, the Board approved increasing the estimate by \$3 million each year). The Governor makes no allowance to transfer any of that additional income into restricted fee or service clearing accounts which would allow the Medical Center to purchase needed supplies and equipment.



SENATE
EXECUTIVE COMMITTEE

THE UNIVERSITY OF KANSAS · LAWRENCE, KANSAS · 66044

Statement of Sidney A. Shapiro
Professor of Law
Chairperson, University of Kansas
Faculty and Student Council

Senate Ways and Means Committee
January 30, 1985

The Tools of the Trade

The single most frustrating aspect of teaching at the University of Kansas is that we lack the "tools" necessary to teach effectively. Most of my colleagues and I became professors because of the personal satisfaction we gain from teaching young men and women. We are frustrated because we find that recent budget problems prevent us from teaching in the manner we regard as best.

The OOE Problem

Over the past few years, the costs of teaching equipment has increased remarkably. Over the same period, funding for OOE expenditures has lagged behind those costs. For example, our science laboratories are unable to purchase the equipment and supplies necessary to teach students how to carry out important experiments. A similar problem exists for nonscientists. Our library system can not purchase important books and periodicals because of a lack of funding.

Increased Funding

We are proud that the reputation of the University of Kansas has attracted additional new students to our campus. We will not be able to continue to attract additional students, however, unless we are able to purchase the teaching equipment necessary to teach our students effectively.

I appreciate the opportunity to appear today to support the University's request that we be allowed to spend the additional revenue generated by our increased enrollments. I hope you will see fit to authorize us to spend these funds so we can purchase some of the "teaching tools" we so desperately require.

S. Shapiro 1/30/85
B 1-30-85