

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. ~~pm~~ on April 8, 1987 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Ron Schweer, Laura Howard, Ray Hauke  
Revisor's Office: Norman Furse  
Committee Office: Judy Bromich, Pam Parker

Conferees appearing before the committee:

Senator Norma Daniels, Valley Center  
Ted Ayres, General Council, Board of Regents  
Mark Tallman, Director Legislative Affairs & Development, Associated  
Students of Kansas (ASK)  
Jerry Slaughter, Kansas Medical Center (KMS)

SB 423 - Equipment acquisition for board of regents institutions; issuance of bonds; increase in student fees.

Senator Daniels appeared in support of SB 423 and distributed copies of a letter to Senator Daniels from Joe L. Norton (Attachment 1), a letter to Senator Daniels from Robert Stephen, Attorney General (Attachment 2), and a memorandum to Senator Daniels from Ted Ayres, Board of Regents (Attachment 3). Senator Daniels stated that the Board should be authorized to issue bonds for the purpose of equipment purchases including instructional and research equipment and library acquisitions. The purchase of this equipment by bonds has heretofore not been done, nor has she been able to find any state where this has been done. Bonds issued will be repaid by an increase in tuition, fees and charges to be set aside in a special fund in the state treasury for the purpose of repayment of the bonds. Senator Daniels pointed out two amendments she felt should be added to the bill which would allow for authority to invest money not allocated from the special funds within the treasury and to change the date this bill would be in effect to publication in the Register in order to take advantage of lower bond rates.

Joe Norton, Stated that no legal problems would be created with voting elections for student input in the university repayment of bonds. The way the bill is drafted, isolated issues for individual institutions or larger issues whereby the Board could allocate to various institutions could be accomplished. This would be a policy question for the Committee.

In response to a question from Senator Winter, Senator Daniels stated that the distribution formula was included so each university could know approximately how much money they will be receiving in order to plan their acquisitions accordingly.

Mr. Ayres stated that the Board appreciates Senator Daniels interest in this bill, clearly there is a need for a vehicle to help institutions purchase equipment and this mechanism may be the answer. Prior to introduction of this bill, they did some research and talked with people in other states about this concept and found that some are using existing bond authority to get into this area, some have created specific authorities to allow equipment type purchases. He felt this concept would be very helpful and he also felt there are some technical changes needed in the bill. The Board strongly supports the concept expressed in the bill.

Mr. Norton stated that there were several areas in the bill which would need some technical amendments, e.g., bond issuing, administration, etc. He stated he would be willing to work with staff on such amendments.

Unless specifically noted, the individual remarks recorded herein have not been submitted verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Ways and Means,  
room 123-S, Statehouse, at 11:00 a.m./~~p.m.~~ on April 8, 1987.

Mark Tallman presented testimony regarding SB 423. (Attachment 4)

The Chairman announced the hearing on SB 423 was concluded.

SB 183 - Repealing surcharge on tickets for certain athletic events.

Senator Johnston moved, Senator Gannon seconded, to report SB 183 favorably for passage. During discussion, Senator Winter made a substitute motion to delay the effective date until July 1, 1988. Senator Talkington seconded the substitute motion. Following further discussion, the substitute motion failed. The original motion carried on a roll call vote.

SB 389 - Medical Scholarship agreement obligations.

Jerry Slaughter distributed and reviewed copies of his proposed amendment. (Attachment 5) He explained his amendment allows Kansas University Medical Center to use exceptional people to serve as faculty members and is not inconsistent with action taken last year. He also pointed out the need for another technical amendment on page six due to the fact that SB 339, which abolishes the Statewide Health Coordinating Council, has passed both houses this date.

Copies of a letter dated April 6, 1987 to the Chairman from Vickie Thomas were distributed. (Attachment 6)

Senator Johnston moved, Senator Feleciano seconded, amending SB 389 by deleting Section 2(g)(5), page six, lines 0213, 0214 and 0215, which reads, "(5) one member shall be a member of the statewide health coordinating council who is a consumer of health care;". The motion also included adoption of the amendments set forth in Attachment 5. The motion carried on a voice vote.

Senator Feleciano moved, Senator Johnston seconded, to strike language starting on line 0265 which reads, "If the chancellor of the ....." and ends on line 0271. The motion passed on a voice vote.

Senator Feleciano moved, Senator Talkington, to amend SB 389, Section 2, in conjunction with HB 2141. The motion passed on a voice vote.

Senator Feleciano moved, Senator Talkington seconded, to report SB 389, as amended, favorably for passage. The motion passed on a roll call vote.

The CHairman adjourned the meeting at 11:50 a.m.



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SWA

# GAAR & BELL

ATTORNEYS AT LAW

NORMAN E. GAAR\*  
JOHN E. CATON  
JOE L. NORTON  
MARTHA E. SCHACH†  
LILLIAN G. APODACA  
DAVID G. TITTSWORTH  
KANSAS BAR

OF COUNSEL  
BYRON BRAINERD  
PHILLIP L. HARRIS†

DONALD A. BELL  
1928-1985

\*ALSO ADMITTED IN MISSOURI

WEBB R. GILMORE A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS  
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RICHARD D. STENSRUD  
JAMES G. CALDWELL  
MISSOURI BAR

\*\*ALSO ADMITTED IN KANSAS  
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OVERLAND PARK OFFICE  
14 CORPORATE WOODS, SUITE 640  
8717 WEST 110 TH STREET  
OVERLAND PARK, KANSAS 66210-2189  
913-661-0001

ST. LOUIS OFFICE  
1100 LASALLE BUILDING  
509 OLIVE STREET  
ST. LOUIS, MISSOURI 63101-2332  
314-436-1000

KANSAS CITY OFFICE  
1600 CITY CENTER SQUARE  
1100 MAIN STREET  
KANSAS CITY, MISSOURI 64105-2156  
816-221-1000

April 7, 1987

Senator Norma L. Daniels  
State Capitol  
Room 460-E  
Topeka, Kansas

RE: SB 423 - Kansas Board of Regents  
Equipment Revenue Bonds

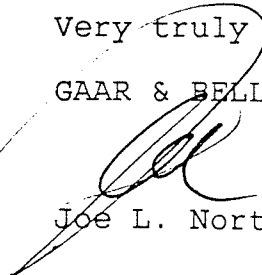
Senator Daniels:

Enclosed please find a summary and supporting schedules of debt service for various sizes of bond issues which may be authorized pursuant to the above referenced bill. A technical mark-up of SB 423 will be provided as soon as it is available.

Should you have questions or desire additional information concerning this matter, please contact the undersigned.

Very truly yours,

GAAR & BELL

  
Joe L. Norton

JLN/ed

cc: Mr. Ted D. Ayres  
General Counsel  
Kansas Board of Regents

ATTACHMENT 1

SENATE WAYS AND MEANS 4/8/87

# SUMMARY

## KANSAS BOARD OF REGENTS EQUIPMENT REVENUE BONDS

<u>PRINCIPAL</u>	<u>INTEREST</u> <u>RATE</u>	<u>YEARS</u> <u>OUTSTANDING</u>	<u>AVERAGE ANNUAL</u> <u>DEBT SERVICE</u>	<u>COST PER</u> <u>CREDIT HOUR</u> <u>(1,842,000)</u>
\$100,000,000	6.00	5	\$23,740,000	\$12.88
\$100,000,000	6.25	10	\$13,748,000	\$7.46
\$100,000,000	6.50	15	\$10,635,000	\$5.77
\$50,000,000	6.00	5	\$11,870,000	\$6.44
\$50,000,000	6.25	10	\$6,875,000	\$3.73
\$50,000,000	6.50	15	\$5,317,000	\$2.88

KANSAS BOARD OF REGENTS  
 EQUIPMENT REVENUE BONDS  
 \$100,000,000 - 5 YEARS

SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/1988			3,000,000.00	3,000,000.00	
7/ 1/1988	6.0000%	17,740,000.00	3,000,000.00	20,740,000.00	23,740,000.00
1/ 1/1989			2,467,800.00	2,467,800.00	
7/ 1/1989	6.0000%	18,805,000.00	2,467,800.00	21,272,800.00	23,740,600.00
1/ 1/1990			1,903,650.00	1,903,650.00	
7/ 1/1990	6.0000%	19,930,000.00	1,903,650.00	21,833,650.00	23,737,300.00
1/ 1/1991			1,305,750.00	1,305,750.00	
7/ 1/1991	6.0000%	21,130,000.00	1,305,750.00	22,435,750.00	23,741,500.00
1/ 1/1992			671,850.00	671,850.00	
7/ 1/1992	6.0000%	22,395,000.00	671,850.00	23,066,850.00	23,738,700.00
TOTALS		100,000,000.00	18,698,100.00	118,698,100.00	118,698,100.00

DATE OF CLOSING IS 7/ 1/1987  
 ACCRUED INTEREST: 0.00  
 AVERAGE INTEREST RATE IS 6.0000%  
 BOND YEARS TOTAL 311,635.00  
 WEIGHTED AVERAGE LIFE IS 3.1163

DATE = 4/ 7/1987 TIME = 17:44.43

KANSAS BOARD OF REGENTS  
EQUIPMENT REVENUE BONDS  
\$100,000,000 - 10 YEARS

## SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/1988			3,125,000.00	3,125,000.00	
7/ 1/1988	6.2500%	7,500,000.00	3,125,000.00	10,625,000.00	13,750,000.00
1/ 1/1989			2,890,625.00	2,890,625.00	
7/ 1/1989	6.2500%	7,965,000.00	2,890,625.00	10,855,625.00	13,746,250.00
1/ 1/1990			2,641,718.75	2,641,718.75	
7/ 1/1990	6.2500%	8,465,000.00	2,641,718.75	11,106,718.75	13,748,437.50
1/ 1/1991			2,377,187.50	2,377,187.50	
7/ 1/1991	6.2500%	8,995,000.00	2,377,187.50	11,372,187.50	13,749,375.00
1/ 1/1992			2,096,093.75	2,096,093.75	
7/ 1/1992	6.2500%	9,555,000.00	2,096,093.75	11,651,093.75	13,747,187.50
1/ 1/1993			1,797,500.00	1,797,500.00	
7/ 1/1993	6.2500%	10,155,000.00	1,797,500.00	11,952,500.00	13,750,000.00
1/ 1/1994			1,480,156.25	1,480,156.25	
7/ 1/1994	6.2500%	10,785,000.00	1,480,156.25	12,265,156.25	13,745,312.50
1/ 1/1995			1,143,125.00	1,143,125.00	
7/ 1/1995	6.2500%	11,460,000.00	1,143,125.00	12,603,125.00	13,746,250.00
1/ 1/1996			785,000.00	785,000.00	
7/ 1/1996	6.2500%	12,180,000.00	785,000.00	12,965,000.00	13,750,000.00
1/ 1/1997			404,375.00	404,375.00	
7/ 1/1997	6.2500%	12,940,000.00	404,375.00	13,344,375.00	13,748,750.00
TOTALS		100,000,000.00	37,481,562.50	137,481,562.50	137,481,562.50

DATE OF CLOSING IS 7/ 1/1987  
 ACCRUED INTEREST: 0.00  
 AVERAGE INTEREST RATE IS 6.2500%  
 BOND YEARS TOTAL 599,705.00  
 WEIGHTED AVERAGE LIFE IS 5.9970

DATE = 4/ 7/1987 TIME = 17:47.75



KANSAS BOARD OF REGENTS  
EQUIPMENT REVENUE BONDS  
\$100,000,000 - 15 YEARS

## SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/1988			3,250,000.00	3,250,000.00	
7/ 1/1988	6.5000%	4,135,000.00	3,250,000.00	7,385,000.00	10,635,000.00
1/ 1/1989			3,115,612.50	3,115,612.50	
7/ 1/1989	6.5000%	4,405,000.00	3,115,612.50	7,520,612.50	10,636,225.00
1/ 1/1990			2,972,450.00	2,972,450.00	
7/ 1/1990	6.5000%	4,690,000.00	2,972,450.00	7,662,450.00	10,634,900.00
1/ 1/1991			2,820,025.00	2,820,025.00	
7/ 1/1991	6.5000%	4,995,000.00	2,820,025.00	7,815,025.00	10,635,050.00
1/ 1/1992			2,657,687.50	2,657,687.50	
7/ 1/1992	6.5000%	5,320,000.00	2,657,687.50	7,977,687.50	10,635,375.00
1/ 1/1993			2,484,787.50	2,484,787.50	
7/ 1/1993	6.5000%	5,665,000.00	2,484,787.50	8,149,787.50	10,634,575.00
1/ 1/1994			2,300,675.00	2,300,675.00	
7/ 1/1994	6.5000%	6,035,000.00	2,300,675.00	8,335,675.00	10,636,350.00
1/ 1/1995			2,104,537.50	2,104,537.50	
7/ 1/1995	6.5000%	6,425,000.00	2,104,537.50	8,529,537.50	10,634,075.00
1/ 1/1996			1,895,725.00	1,895,725.00	
7/ 1/1996	6.5000%	6,845,000.00	1,895,725.00	8,740,725.00	10,636,450.00
1/ 1/1997			1,673,262.50	1,673,262.50	
7/ 1/1997	6.5000%	7,290,000.00	1,673,262.50	8,963,262.50	10,636,525.00
1/ 1/1998			1,436,337.50	1,436,337.50	
7/ 1/1998	6.5000%	7,765,000.00	1,436,337.50	9,201,337.50	10,637,675.00
1/ 1/1999			1,183,975.00	1,183,975.00	
7/ 1/1999	6.5000%	8,265,000.00	1,183,975.00	9,448,975.00	10,632,950.00
1/ 1/2000			915,362.50	915,362.50	
7/ 1/2000	6.5000%	8,805,000.00	915,362.50	9,720,362.50	10,635,725.00
1/ 1/2001			629,200.00	629,200.00	
7/ 1/2001	6.5000%	9,375,000.00	629,200.00	10,004,200.00	10,633,400.00

DATE OF CLOSING IS 7/ 1/1987  
 ACCRUED INTEREST: 0.00  
 AVERAGE INTEREST RATE IS 6.5000%  
 BOND YEARS TOTAL 915,820.00  
 WEIGHTED AVERAGE LIFE IS 9.1582

DATE = 4/ 7/1987 TIME = 17:50.03



KANSAS BOARD OF REGENTS  
EQUIPMENT REVENUE BONDS  
\$100,000,000 - 15 YEARS

## SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/2002			324,512.50	324,512.50	
7/ 1/2002	6.5000%	9,985,000.00	324,512.50	10,309,512.50	10,634,025.00
TOTALS		100,000,000.00	59,528,300.00	159,528,300.00	159,528,300.00

DATE = 4/ 7/1987    TIME = 17:50.03

KANSAS BOARD OF REGENTS  
EQUIPMENT REVENUE BONDS  
\$50,000,000 - 5 YEARS

## SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/1988			1,500,000.00	1,500,000.00	
7/ 1/1988	6.0000%	8,870,000.00	1,500,000.00	10,370,000.00	11,870,000.00
1/ 1/1989			1,233,900.00	1,233,900.00	
7/ 1/1989	6.0000%	9,400,000.00	1,233,900.00	10,633,900.00	11,867,800.00
1/ 1/1990			951,900.00	951,900.00	
7/ 1/1990	6.0000%	9,965,000.00	951,900.00	10,916,900.00	11,868,800.00
1/ 1/1991			652,950.00	652,950.00	
7/ 1/1991	6.0000%	10,565,000.00	652,950.00	11,217,950.00	11,870,900.00
1/ 1/1992			336,000.00	336,000.00	
7/ 1/1992	6.0000%	11,200,000.00	336,000.00	11,536,000.00	11,872,000.00
TOTALS		50,000,000.00	9,349,500.00	59,349,500.00	59,349,500.00

DATE OF CLOSING IS 7/ 1/1987  
ACCRUED INTEREST: 0.00  
AVERAGE INTEREST RATE IS 6.0000%  
BOND YEARS TOTAL 155,825.00  
WEIGHTED AVERAGE LIFE IS 3.1165

DATE = 4/ 7/1987 TIME = 17:52.25

KANSAS BOARD OF REGENTS  
EQUIPMENT REVENUE BONDS  
\$50,000,000 - 10 YEARS

SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/1988			1,562,500.00	1,562,500.00	
7/ 1/1988	6.2500%	3,750,000.00	1,562,500.00	5,312,500.00	6,875,000.00
1/ 1/1989			1,445,312.50	1,445,312.50	
7/ 1/1989	6.2500%	3,985,000.00	1,445,312.50	5,430,312.50	6,875,625.00
1/ 1/1990			1,320,781.25	1,320,781.25	
7/ 1/1990	6.2500%	4,230,000.00	1,320,781.25	5,550,781.25	6,871,562.50
1/ 1/1991			1,188,593.75	1,188,593.75	
7/ 1/1991	6.2500%	4,495,000.00	1,188,593.75	5,683,593.75	6,872,187.50
1/ 1/1992			1,048,125.00	1,048,125.00	
7/ 1/1992	6.2500%	4,780,000.00	1,048,125.00	5,828,125.00	6,876,250.00
1/ 1/1993			898,750.00	898,750.00	
7/ 1/1993	6.2500%	5,075,000.00	898,750.00	5,973,750.00	6,872,500.00
1/ 1/1994			740,156.25	740,156.25	
7/ 1/1994	6.2500%	5,395,000.00	740,156.25	6,135,156.25	6,875,312.50
1/ 1/1995			571,562.50	571,562.50	
7/ 1/1995	6.2500%	5,730,000.00	571,562.50	6,301,562.50	6,873,125.00
1/ 1/1996			392,500.00	392,500.00	
7/ 1/1996	6.2500%	6,090,000.00	392,500.00	6,482,500.00	6,875,000.00
1/ 1/1997			202,187.50	202,187.50	
7/ 1/1997	6.2500%	6,470,000.00	202,187.50	6,672,187.50	6,874,375.00
TOTALS		50,000,000.00	18,740,937.50	68,740,937.50	68,740,937.50

DATE OF CLOSING IS 7/ 1/1987  
 ACCRUED INTEREST: 0.00  
 AVERAGE INTEREST RATE IS 6.2500%  
 BOND YEARS TOTAL 299,855.00  
 WEIGHTED AVERAGE LIFE IS 5.9971

DATE = 4/ 7/1987 TIME = 17:54.45

KANSAS BOARD OF REGENTS  
EQUIPMENT REVENUE BONDS  
\$50,000,000 - 15 YEARS

SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/1988			1,625,000.00	1,625,000.00	
7/ 1/1988	6.5000%	2,065,000.00	1,625,000.00	3,690,000.00	5,315,000.00
1/ 1/1989			1,557,887.50	1,557,887.50	
7/ 1/1989	6.5000%	2,200,000.00	1,557,887.50	3,757,887.50	5,315,775.00
1/ 1/1990			1,486,387.50	1,486,387.50	
7/ 1/1990	6.5000%	2,345,000.00	1,486,387.50	3,831,387.50	5,317,775.00
1/ 1/1991			1,410,175.00	1,410,175.00	
7/ 1/1991	6.5000%	2,500,000.00	1,410,175.00	3,910,175.00	5,320,350.00
1/ 1/1992			1,328,925.00	1,328,925.00	
7/ 1/1992	6.5000%	2,660,000.00	1,328,925.00	3,988,925.00	5,317,850.00
1/ 1/1993			1,242,475.00	1,242,475.00	
7/ 1/1993	6.5000%	2,835,000.00	1,242,475.00	4,077,475.00	5,319,950.00
1/ 1/1994			1,150,337.50	1,150,337.50	
7/ 1/1994	6.5000%	3,015,000.00	1,150,337.50	4,165,337.50	5,315,675.00
1/ 1/1995			1,052,350.00	1,052,350.00	
7/ 1/1995	6.5000%	3,215,000.00	1,052,350.00	4,267,350.00	5,319,700.00
1/ 1/1996			947,862.50	947,862.50	
7/ 1/1996	6.5000%	3,420,000.00	947,862.50	4,367,862.50	5,315,725.00
1/ 1/1997			836,712.50	836,712.50	
7/ 1/1997	6.5000%	3,645,000.00	836,712.50	4,481,712.50	5,318,425.00
1/ 1/1998			718,250.00	718,250.00	
7/ 1/1998	6.5000%	3,880,000.00	718,250.00	4,598,250.00	5,316,500.00
1/ 1/1999			592,150.00	592,150.00	
7/ 1/1999	6.5000%	4,135,000.00	592,150.00	4,727,150.00	5,319,300.00
1/ 1/2000			457,762.50	457,762.50	
7/ 1/2000	6.5000%	4,400,000.00	457,762.50	4,857,762.50	5,315,525.00
1/ 1/2001			314,762.50	314,762.50	
7/ 1/2001	6.5000%	4,690,000.00	314,762.50	5,004,762.50	5,319,525.00

DATE OF CLOSING IS 7/ 1/1987  
 ACCRUED INTEREST: 0.00  
 AVERAGE INTEREST RATE IS 6.5000%  
 BOND YEARS TOTAL 457,950.00  
 WEIGHTED AVERAGE LIFE IS 9.1590

DATE = 4/ 7/1987 TIME = 17:56.64

KANSAS BOARD OF REGENTS  
EQUIPMENT REVENUE BONDS  
\$50,000,000 - 15 YEARS

## SCHEDULE OF DEBT SERVICE

DATE	INTEREST RATE	PRINCIPAL MATURING	SEMI-ANNUAL INTEREST	SEMI-ANNUAL DEBT SERVICE	ANNUAL DEBT SERVICE
1/ 1/2002			162,337.50	162,337.50	
7/ 1/2002	6.5000%	4,995,000.00	162,337.50	5,157,337.50	5,319,675.00
TOTALS		50,000,000.00	29,766,750.00	79,766,750.00	79,766,750.00

DATE = 4/ 7/1987    TIME = 17:56.64



4/8 2  
SWAN

STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612-1597

ROBERT T. STEPHAN  
ATTORNEY GENERAL

March 20, 1987

MAIN PHONE: (913) 296-2215  
CONSUMER PROTECTION: 296-3751

The Honorable Norma L. Daniels  
State Senator, Thirty-First District  
State Capitol, Room 460-E  
Topeka, Kansas 66612-1591

Dear Senator Daniels:

You have requested our opinion on certain questions relating to a proposed bill which you are interested in introducing in the 1987 Kansas legislature. We do not have a copy or draft of the anticipated bill but you describe it generally as authorizing.

". . .[T]he state board of regents to issue revenue bonds for the purpose of acquiring instructional and research equipment and library books and materials for use by students at regents' institutions and payable solely from money collected as increased or additional tuition, fees or charges to students at such institutions."

Your first inquiry concerns the constitutionality of a bill seeking to authorize the board of regents to issue revenue bonds for the described purposes. We must preface our remarks with the caveat, noted above, that we have not seen the bill; thus, all our comments are directed to the anticipated bill as described in your letter. The Constitution of the State of Kansas, in Article 6, Section 2(b) provides that "the legislature shall provide for a state board of regents and for its control and supervision of public institutions of higher education." Article 6, Section 6 concerns finance at such institutions and states:

ATTACHMENT 2

SENATE WAYS AND MEANS 4/8/87

"(a) The legislature may levy a permanent tax for the use and benefit of state institutions of higher education and apportion among and appropriate the same to the several institutions, which levy, apportionment and appropriation shall continue until changed by statute. Further appropriation and other provision for finance of institutions of higher education may be made by the legislature.

"(b) The legislature shall make suitable provisions for finance of the educational interests of the state." (Emphasis added.)

It would appear the proposed bill would fit well within the constitutional authorization of the legislature to make "other provision for the finance of institutions of higher education" and its duty to provide for the finance of the state's educational interests.

These constitutional provisions have been implemented by a number of existing legislative enactments. K.S.A. 76-6b01, 76-6b02 and 76-6b03 provide for the levy of an annual tax for the use and benefit of state institutions of higher education. K.S.A. 76-6a01 through 76-6a37 make numerous provisions for the construction, rehabilitation, and equipping of various buildings and facilities at state institutions of higher education and authorize the board of regents to finance such projects by issuing revenue bonds backed either by user fees for the facility or other student fees and charges collected by the board of regents. Thus, the issuance of board of regents revenue bonds, secured by a pledge of specific student fees, to finance the needs of the state institutions of higher education is not a new practice in the state and is certainly within the realm of the legislature's constitutional authority to provide for financing the educational needs of the state.

You ask whether there are statutory or constitutional provisions which would limit the acquisition of the kinds of property you describe with the proceeds of revenue bonds. We are unaware of any provision which would exclude financing the acquisition of equipment and other property you describe from the constitutional language authorizing the legislature to make "other provision" for finance of institutions of higher



education and requiring legislative provision of suitable finance for the educational interests of the state.

You also inquire about the manner in which the board of regents may structure the acquisition of the property in question with the proceeds of revenue bonds. While it is impossible to comment on all the possible implications of a proposed contract or lease arrangement, particularly in view of the innumerable legally available structures, we note generally that the board of regents is presently given the discretion and authority to utilize the proceeds of revenue bonds issued pursuant to K.S.A. 76-6a13 et seq. in a manner which would appear to include the types of structures you describe in relation to the anticipated bill. For example, K.S.A. 1986 Supp. 76-6a20 provides in relevant part:

"The proceeds derived from the sale of the bonds herein authorized shall be deposited to the credit of the board in a bank, banks or other depositories designated by the board and kept in a separate fund and used solely for the purpose for which the bonds are authorized. The board is authorized to make all contracts and execute all instruments which in its discretion may be deemed necessary or advisable to provide for the construction, furnishing and equipment of such building, or the rehabilitation or renovation of an existing building, and to provide for the manner of disbursement of the funds for such purposes."

It would appear that similar provision might well be made a part of the anticipated bill.

Your final question is rather a technical one which we will not attempt to address in detail due to the general nature of your question. You ask:

". . . [I]f there are any restrictions under state or federal law regarding the time period (following the date of issuance of the bonds) in which the proceeds must be expended for the purpose authorized or may these expenditures be made over a period of years or are there limitations or restrictions on the use or


investments of these funds while awaiting expenditure?"

We assume that most of the questions relate to the maintaining the tax exempt status of such bonds under federal tax laws. The federal tax law places numerous limitations upon the use or investment of bond proceeds which are not immediately utilized for the purpose of the issue. The limitations vary somewhat depending upon how the issue and its purpose are classified under federal law. In the situation you described in a telephone conversation, where the proceeds of a bond issue would be expended over a five year period, it is likely that any investment of the bond proceeds would be restricted to a certain yield in order to prevent unlawful arbitrage earnings on the bond proceeds. In addition, the justification for issuing all the bonds at a certain time with the intent to utilize the proceeds over a period of time would need to be examined in light of federal law's prohibition of the utilization of an "artifice or device" to avoid compliance with the restrictions of the code. It would appear that a general authorization similar to that provided by K.S.A. 1986 Supp. 76-6a20 would provide the board of regents with sufficient flexibility to structure a bond issue, utilizing the qualified advise of bond counsel, in such a manner as would best serve the needs of the regents' institutions and comply with the myriad requirements of the federal tax code.

We apologize for the general nature of over response to your final questions and trust that you understand that without specific knowledge of the structure of a bond issue, its authority and purpose, it is difficult, if not impossible, to give specific and accurate answers to your general questions. We would be pleased to assist further on this matter should other questions arise.

Thank you for the opportunity to address your questions. If we may be of further assistance please do not hesitate to call.

Very truly yours,



ROBERT T. STEPHAN  
Attorney General

RTS:MFC:jm

# KANSAS BOARD OF REGENTS

SUITE 609 • CAPITOL TOWER • 400 SW EIGHTH • TOPEKA, KANSAS 66603-3911 • (913) 296-3421

4/8 3  
Bonds - Stems - Enrollment  
Profile

## MEMORANDUM

1. Bill Form -

TO: Senator Norma Daniels  
FROM: Ted D. Ayres, General Counsel *TDA*  
RE: Revenue Bonding Authority/Non-capital Items  
DATE: March 12, 1987

This will serve as a written follow-up to our meeting of Thursday, February 26, 1987. I am not certain that, at this stage, I have garnered any additional information which is really substantive or which might be of benefit to you as we consider and explore your ideas; however, I have had the opportunity to speak with numerous individuals with experience in this area, many of whom volunteered to assist further as and if requested. I would summarize my efforts to date, and the results of those efforts, as follows:

1. I spoke with the national office of the National Association of College and University Attorneys in Washington to inquire if they had any reference materials and/or research information on this topic in their files. They did not, but referred me to a Ms. Nancy Grenise (202-828-2400) of the Washington office of Kutak Rock & Campbell, a national law firm which does a great deal of work in the bonding area.

2. I spoke with Ms. Grenise on Wednesday, March 11. She indicated that her firm had been involved in what she referred to as College Equipment Loan Programs ("CELP") in the states of Louisiana, Alabama, Tennessee and Iowa. She thought that the program in Iowa had been directly through some educational governing board, while the other states used a general statewide bonding authority or commission, i.e. Louisiana Public Facilities Organization. It appears that two alternatives are possible. One would be where bonds are issued and the monies placed in a *blind pool* for use as needed. The other alternative would be an *escrowed pool* where you would have definitive indications of needs and usage, as well as time of need and usage, prior to issuance of the bonds. Ms. Grenise indicated a preference for the latter since this usually allowed for lower interest rates and helped to avoid possible arbitrage limitations on usage of the monies. Ms. Grenise indicated her firm had written legislation in this area and no doubt their expertise would be available at appropriate rates. In the meantime, I will seek to review the statutes in the states mentioned. I spoke again with Ms. Grenise on March 12 and she

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Memorandum to Senator Daniels  
March 12, 1987  
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provided me with additional information about matters of possible interest in North Carolina. She provided with the name and number of a lawyer in the Atlanta office of her law firm and the name and number of certain individuals at the University of North Carolina.

3. On Wednesday, March 10, I spoke with Mr. Robert Mitchell (303-297-2900) of the Davis, Graham & Stubbs law firm in Denver. Mr. Mitchell served as bond counsel on several issues on which I assisted while General Counsel to the University of Colorado. He advised that he would first be concerned about constitutional limitations on state debts and other such statutory limitations. He advised that, in his opinion, a solid feasibility study on student enrollments which reviewed the potential impact of fee increases on such enrollments would almost be mandatory in helping to market the bonds. The bonds would mandate a requirement that tuition or fees could go up and/or be adjusted quickly to guarantee coverage of the bond debt requirements, which, incidentally, would require a cover of some 130% of the debt service to allow for a buildup of reserves.

4. On March 10, I spoke with Mr. Richard Hayden (207-947-0336), General Counsel to the University of Maine. He indicated that heretofore, the University of Maine did no borrowing by means of the issuance of revenue bonds; that this was all done by the Legislature. He further indicated that a bill was pending this session to permit the University to borrow in its own name. He indicated that the University had done some "short-term" borrowing by means of equipment leasing.

5. On March 10, I spoke with Mr. Stan Ward (405-325-4124), presently chief legal counsel to the University of Oklahoma. He gave me the name and number of Mr. Scott Brown (405-235-3413), bond counsel for the University in Oklahoma City and Mr. Bob Lewis (405-270-5431) of the firm of Leo Oppenheim & Co., financial advisors to the University. Mr. Ward also gave me the number for Ms. Penny Williams (405-521-2711, ext. 106), a legislator from Tulsa who apparently has been involved in this area (as you were advised). I placed a call to Ms. Williams at the statehouse, but she has not returned my call.

6. I spoke with Mr. Lewis and one of his associates on March 10. He advised that there was statutory authority in Oklahoma which seemed close to the type of legislation we are interested in here. A copy of that referenced statute is attached hereto as Exhibit A. The process, as described to me on the telephone, sounds very complicated and involves letters of credit, investment agreements and investment banks. He also gave me the name of Mr. Gary Bush, another attorney in Mr. Brown's firm.

7. On March 10 and 11, I spoke with Mr. Bill Fuller (203-566-7211) who is presently Director of Facilities Planning & Capital Planning for the Connecticut Department of Higher Education (I am advised that Mr. Fuller has previously consulted for the Board of

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Regents and his spouse is from Arkansas City, Kansas). Mr. Fuller has had extensive experience in the states of New York, Indiana, Nebraska and Connecticut. He indicated that Connecticut had pursued this type of bond issue, i.e. monies generated for equipment, student loans and grant programs, but that general funds were pledged to pay off the bonds. He indicated that the major problem in this area was: where does money come from to repay during the life of the bond? He also advised as to the possibility of using tuition monies to pay off the bonds rather than a dedicated student fee since students could probably get federal assistance for tuition . . . not so for fees. He discussed the possible student backlash which we all could perhaps envision.

8. On March 9 and 10, I spoke with Mr. Don Jensen and Mr. Winton Hinkle (316-264-1400) of Wichita. These gentlemen have assisted the Board on two recent revenue bond issues. They provided many useful comments and offered to assist with bill-drafting if necessary. They indicated that since Regents bond issues are relatively infrequent (because of the difficulty of issuance??), they are extremely well-received in the market place. This infrequency of issuance apparently creates and/or is a factor responsible for the strength of Board of Regents issues in the regional bond market. The concern was expressed that caution should be exercised in doing anything that might jeopardize this credit history. It would, of course, be possible to draft permissive legislation, but there should be careful study in place prior to passage according to Messrs. Hinkle and Jensen. They indicated that the Tax Reform Act of 1986 ("TRA") did nothing directly which would impact the bonds under consideration. They said TRA did make an "attack" on tax-exempt bonds which were not governmental bonds, and this might make bonds such as ours more attractive in the market. They indicated that there were some recent rulings from the IRS which were negative as to blind pool trust arrangements. We closed with a discussion that bonds issued for equipment would probably be "higher interest rate bonds" and there should be a major study on enrollment as a backup to the issue.

9. On March 10, I spoke with Mr. Roy Schowers (505-842-8200) who is counsel to Eastern New Mexico University. He advised that I speak with Mr. Gene Bergman (505-562-2612), Vice President for Business at Eastern New Mexico. I called Mr. Bergman and left a message on his answering machine (he is presently in Santa Fe working with the New Mexico legislature).

10. On March 12, I spoke with Mr. Charles Bouilly (316-265-8622) of the investment banking firm of Stern Brothers & Co. I thought his perspective might be beneficial with reference to the practical situation of marketing these bonds. He advised that *blind pool* arrangements were probably not feasible after TRA. In reference to using revenue bonds for equipment purchases, he did not feel that there would be much effect on the interest rates merely because there

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was no building involved. The important thing would continue to be the perceived strength and viability of the universities and enrollments thereafter.

11. On March 12, I spoke with Ed Sims (404-222-4600) in Atlanta, the lawyer referred to by Nancy Grenise. He advised that his firm was working on a broad range of financing alternatives which might be considered by North Carolina institutions. They are working on equipment-type issues, but one of his partners probably had the more detailed information which I would be interested in. I advised that I might call later as necessary. I placed a call to Mr. Wayne Jones (919-962-7242) in Chapel Hill and he is to return my call. He works with Dr. Farris Womack (919-962-3798), Chief Fiscal Officer for the North Carolina Board of Regents.

12. In addition to the above, I spoke with Art Griggs of the Kansas Department of Administration and I placed a call to Ms. Jane Bulbin (703-961-6293), General Counsel to Virginia Tech. about activities in Virginia. I have yet to speak with her. I have today also placed a call to Mr. Aimes McGuinness (303-830-3600) of the Education Commission of the States in Denver. I am yet to speak to him.

Senator, this is a full summary of my activities at this stage. I wanted to provide you with this update with the assurance that I am continuing to seek information from every source possible. I appreciate your patience in this regard, as well as your initial interest in the Regents institutions!

TDA:bf  
Attachments

cc: Dr. Stanley Z. Koplik





4/8 Sk 4  
**ASSOCIATED STUDENTS OF KANSAS**

**The Student Governments of the State Universities**

Suite 608 • Capitol Towers • 400 S.W. 8th St. • Topeka, Ks. 66603 • (913) 354-1394

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**MEMBERS:**

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The Wichita State University  
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Wichita, Kansas 67208  
316-689-3480

Statement on SB 423

TO: Senate Ways and Means Committee  
FROM: Mark Tallman, Legislative Director  
DATE: April 8, 1987

Position

ASK has not taken a formal position on SB 423. We will consider it this weekend at our delegate meeting. However, based on the traditional positions our association has taken, and informal discussions on the concept of the bill as expressed by Senator Daniels, I would like to offer the following assessment of the bill's strengths, the concerns we have, and the recommendations I can suggest.

Strengths

1. Students are concerned about the state of equipment, libraries, laboratories and computers. A substantial infusion of funding is needed to raise the level of these resources to a higher plane.
2. Students would see the benefits of fees charged for this purpose much more directly than ordinary tuition increases.
3. The proposed advisory committee includes student representation, assuring a voice in the use of equipment funds.

Concerns

1. Imposition of a special fee would create additional financial burdens on students, who have faced tuition increases in recent years greater than inflation and the growth of Kansas per capita income and most student assistance programs.
2. The Legislature may reduce its support of OOE funding, shifting an even greater burden for university support to students.
3. Students from one institution may end up subsidizing equipment acquisitions at another institution if the allocation of resources is not based on fees generated by respective institutions.
4. If the length of the bond repayments are too long, students in later years may end up paying off debt incurred to purchase equipment already out-of-date.

(more)

ATTACHMENT 4

SENATE WAYS AND MEANS 4/8/87



Recommendations/Suggestions

1. The debt service on such bonds should be considered part of the "cost of education" and fees paying off this debt credited to students when calculating the "fee/cost ratio" for determining tuition levels.
2. Rather than specify in the bill that funds will be allocated to each institution by a certain fixed percentage, require the Board of Regents to allocate, as far as is practical, on the basis of funds generated.
3. Allow the student governing association of each university to vote on the participation in this program by the student body through fees.

5  
H/S  
SUN

0083 As used in this section, "primary care" means general pediat-  
0084 rics, general internal medicine and family practice.

0085 Sec. 2. K.S.A. 1986 Supp. 76-375 is hereby amended to read  
0086 as follows: 76-375. (a) On or before December 31 in each year,  
0087 the chancellor of the university of Kansas, or the designee of the  
0088 chancellor, shall prepare a list of the areas of this state which the  
0089 chancellor, or designee of the chancellor, determines to be  
0090 critically medically underserved areas by specialty and the areas  
0091 of this state which the chancellor, or designee of the chancellor,  
0092 determines to be medically underserved areas by specialty. In  
0093 preparing such a list the chancellor, or designee of the chan-  
0094 cellor, shall consult with the medical scholarship advisory com-  
0095 mittee. All medical care facilities or institutions operated by the  
0096 state of Kansas, other than the university of Kansas medical  
0097 center, full-time faculty positions in an approved Kansas family  
0098 ~~practice residency program, including such program at the uni-~~  
0099 ~~versity of Kansas medical center,~~ and all medical clinics which  
0100 are located in Kansas cities, other than Kansas City, and which  
0101 are operated by professional corporations that are affiliated by  
0102 contract with the university of Kansas medical center are quali-  
0103 fied for service in both service commitment area I and service  
0104 commitment area II without being determined medically un-  
0105 derserved areas, except that such medical clinics shall not qual-  
0106 ify for such service by more than 12 persons at any one time. *In*  
0107 *preparing such a list, the portion of time of persons engaged in*  
0108 *the practice of medicine and surgery at any institution under*  
0109 *the jurisdiction and control of the secretary of social and reha-*  
0110 *bilitation services shall not be included in determining whether*  
0111 *an area is critically medically underserved or medically under-*  
0112 *served.* Every such list shall note that all medical care facilities  
0113 or institutions operated by the state of Kansas qualify for such  
0114 service commitments, in addition to listing those areas deter-  
0115 mined to be critically medically underserved or medically un-  
0116 derserved. Critically medically underserved areas by specialty  
0117 and medically underserved areas by specialty established prior  
0118 to the effective date of this act by the secretary of health and  
0119 environment shall continue in effect for the purposes of this act

| primary care residency programs

| school of medicine

ATTACHMENT 5

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0120 until changed by the chancellor of the university of Kansas, or  
 0121 the designee of the chancellor. *The chancellor of the university*  
 0122 *of Kansas, or the designee of the chancellor, upon a finding of*  
 0123 *exceptional circumstances may modify areas or portions of*  
 0124 *areas determined to be critically medically underserved or*  
 0125 *medically underserved by specialty.*

0126 (b) (1) A service commitment area shall be designated as a  
 0127 service commitment area I or a service commitment area II.  
 0128 Service commitment area I shall be any area determined by the  
 0129 ~~secretary of health and environment~~ *chancellor of the university*  
 0130 *of Kansas, or the designee of the chancellor,* under subsection (a)  
 0131 to be, for purposes of all agreements entered into under K.S.A.  
 0132 76-374 and amendments thereto, a medically underserved area  
 0133 or a critically medically underserved area. Service commitment  
 0134 area II shall be, for purposes of all agreements entered into  
 0135 under K.S.A. 76-374 and amendments thereto, the state of Kan-  
 0136 sas.

0137 (2) The service commitment area I or II for persons first  
 0138 awarded scholarships after December 31, 1985, shall be an  
 0139 incorporated city of this state as specified in subsection (d)(2) of  
 0140 K.S.A. 76-374 and amendments thereto, *all medical care facili-*  
 0141 *ties or institutions operated by the state of Kansas, other than*  
 0142 *the university of Kansas medical center, full-time faculty posi-*  
 0143 *tions in an approved Kansas family practice residency program,*  
 0144 *including such program at the university of Kansas medical*  
 0145 *center, and all medical clinics which are operated in Kansas*  
 0146 *cities, other than Kansas City, and which are operated by*  
 0147 *professional corporations that are affiliated by contract with*  
 0148 *the university of Kansas medical center except that such medi-*  
 0149 *cal clinics shall not qualify for such service by more than 12*  
 0150 *persons at any one time.*

0151 (c) In selecting a service commitment area I or II, whichever  
 0152 is applicable, prior to the commencement of the full-time prac-  
 0153 tice of medicine and surgery pursuant to all agreements entered  
 0154 into under K.S.A. 76-374 and amendments thereto requiring  
 0155 service for a period of time in a service commitment area I or II,  
 0156 whichever is applicable, the person so selecting shall select such

| primary care residency programs

| school of medicine



4/8 Judd 6  
Swain

## THE UNIVERSITY OF KANSAS

Office of the General Counsel  
Strong Hall, Lawrence, Kansas 66045  
(913) 864-3276

April 6, 1987

### MEMORANDUM

TO: Senator August (Gus) Bogina  
Chairman, Senate Ways and Means Committee

FROM: Vickie Thomas  
General Counsel, University of Kansas

HVT

Thank you for taking the time to visit with us last week about the provisions of S.B. 389. We understand your concerns about the proposed amendments to K.S.A. 76-376(a)(3) and (a)(4). I hope the following information is helpful. I would be pleased to provide any other assistance to the Committee as it considers the bill.

K.S.A. 76-376(a)(4) was added to the statute last year. It was apparently intended to address the situation of those persons who had received scholarships from January 1, 1982 through December 31, 1985. Until last year, K.S.A. 76-375(b) required persons receiving scholarships during those years to serve in critically medically underserved areas (Type I contracts) or medically underserved areas (Type II contracts). Those individuals were not allowed to practice elsewhere in the state unless they repaid both tuition and the stipend, plus interest.

K.S.A. 76-376(a)(4) changed existing law to provide that persons who had received a Type I contract, and therefore were required to practice in a critically medically underserved area, could choose to practice instead in a medically underserved area. If they did so, they would not be required to repay tuition, but only the stipend. Unfortunately, the statute provides this exception only for the period January 1, 1983 through December 31, 1985. Therefore, persons who received scholarships during 1982, and have exactly the same obligation as those receiving scholarships during the following three years, are not covered by the provisions. We believe this was a drafting error. It creates considerable difficulty, however, as we do not know how to treat these persons if they do not serve in a critically medically underserved area.

Following are two examples of situations we are attempting to address through the amendment to K.S.A. 76-376(a)(3), in lines 0259 through 0271 of S.B. 389.

#### Example 1

a. Dr. Martin enters a residency program in general surgery at a time when several areas of the state are underserved in that specialty. He has a

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Senator August (Gus) Bogina  
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Type I contract, and so must practice in an underserved area. By the time he completes his residency, there are still underserved areas in his specialty, but fewer of them. Communities exist in those areas that would like to recruit a general surgeon, but they are too small in population to support a full time general surgeon, and the hospitals' resources are not sufficiently developed to support the surgeon. Dr. Martin decides to practice in a city in Kansas that is not underserved in general surgery.

Outcome: (Current statute) - Dr. Martin must repay tuition, stipend, and any interest which has accrued. (Amended statute, p. 7, line 0250 ff) - Dr. Martin would not be required to repay the tuition part of the scholarship, but would be required to repay the stipend plus any interest which had accrued.

Dr. Martin is in the same situation as described above, but he decides to practice in another state because there is no incentive for him to stay in Kansas, since he has to repay tuition, stipend, and any interest whether he stays in Kansas or leaves. The amended statute would not affect this situation because the person leaves the state.

#### Example 2

Dr. Brown enters a residency program in internal medicine with the intent of practicing cardiology. At the time, there are underserved areas in the state in his intended subspecialty. He has a Type I contract, and so must practice in an underserved area. By the time he is ready to enter practice, there are no underserved areas in his specialty. He cannot practice as a cardiologist in a small community because the specialized resources do not exist there to support such a practice. There are practice opportunities in one of the larger cities in Kansas, however, and he locates in one of them.

Outcome: (Current statute) - Dr. Brown must repay tuition, stipend, and any interest which has accrued. (Amended statute, p. 7, line 0250 ff) - Dr. Brown would not be required to repay the tuition part of the scholarship, but would be required to repay the stipend plus any interest which had accrued.

If Dr. Brown chose to leave the state, he would have to repay tuition, stipend, and any interest which has accrued, under the current statute. This is so even though there are no underserved areas in his specialty. Under the current statute, there is no incentive for him to stay in Kansas, even though there are practice opportunities. He must repay the same amount, whether he stays or leaves. The amended statute would offer an incentive to stay in Kansas.

Thank you for the opportunity to provide this additional information. Please let me know if I can be of further assistance.

AVT:mpo