

Approved \_\_\_\_\_  
Date 2-14-90

MINUTES OF THE SENATE COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at \_\_\_\_\_  
Chairperson

8:00 a.m./p.m. on February 8, 1990 in room 123-S of the Capitol.

All members were present except:  
Senator Winter

Committee staff present:  
Bill Edds, Revisor of Statute's Office  
Lynne Holt, Kansas Leg. Research Dept.  
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:  
Dr. David Ambler, Vice Chancellor for Student Affairs, University of  
Kansas  
David St. Peter, Kansas University student  
Mr. Hyde Jacobs, Ass't. to the Dean of Agriculture  
Ted Ayres, Board of Regents  
Jeff Siegler, MacSource  
Judy Krueger, U.S. Small Business Administration

Chairman Kerr called the meeting to order. He announced that the agenda for the day was continued hearings on S.B. 437.

He introduced Dr. David Ambler, Vice Chancellor for Student Affairs, University of Kansas. (Att. 1 & 2) Dr. Ambler stated that he felt the activities of the Student Union do not inhibit the local economy but stimulate it. The programs and services of the University bring thousands of people to the University and community of Lawrence each year. He felt it unfortunate that so much attention had been focused on the University bookstores, because the overall impact of the University was economically positive to the community.

David St. Peter, student at the University of Kansas testified. (Att. 3) He stated that the passage of S.B. 437 could mean that students would have to give up the convenience of having such educational items as: printing services, food services, bookstore services, etc. The cessation of such services would also have an effect on the financial commitment by students to their Universities.

Mr. Hyde Jacobs, Assistant to the Dean of Agriculture, Kansas State University testified in opposition to S.B. 437 (Att. 4). He stated that the University sponsors a pilot flour mill, bakery, feed formulation plant, full-line dairy processing plant, meat and poultry slaughter and processing complex and various other research and extension programs. Under the provisions of S.B. 437, these activities could be construed to be in competition with private industry. He urged that S.B. 437 not be adopted.

Mr. Ted Ayres, Board of Regents testified in opposition to S.B. 437. (Att. 5) He stated that he felt the bill could have a negative impact on many student services and operations which are universally considered to be appropriate activities of public institutions of higher education. He said that he strongly questioned the need for a private enterprise review board, which could severely hamper economic development instead of assisting it.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,

room 123-S, Statehouse, at 8:00 a.m./~~p.m.~~ on February 8, 1990.

Jeff Siegler, spokesman for "MacSource" testified. (Att. 6) He stated that the store he is employed by is owned by MacSource, a private business. His store provides training to faculty and students buying equipment from them, and the Apple Corp. reimburses up to 10% of the cost of the computers. This arrangement follows all legal guidelines.

Judy Krueger, U.S. Small Business Administration testified in favor of S.B. 437. (Att. 7) She stated that there should be a regular review of government supported services, to check that the need of the service still exists and that the private sector is not capable or willing to provide that service efficiently. (Att. 8 is a copy of testimony from summer Interim Committee)

Senator Francisco made a motion that the Economic Development Committee introduce a bill requested by KTEC. (Att. 9)  
Senator Karr seconded. Motion carried.

Meeting adjourned.

Date 2-8-90

VISITOR SHEET

(Please sign)

Name/Company	Name/Company
Stacie Cooper	IPPR - KU
Judy Krueger	KSBA
Davi Ann Brewer	ASK
Ron Fluhort	FHSU
Tom Sim	KSBA
Evan Swartz	SN. County
Darrell Mante	KDWFO
Hank Jacobs	K-State
Joe Lieber Ks Co. y Comm.	
Jeff Sigler	MacSource
DAVID ST. PETER	University of KANSAS
DAVID AMBLER	UNIVERSITY of KANSAS
JIM LONG	Kansas & BURGE UNIONS
Jon Jasserao	KU
KENN ROBERTSON	KS All of our 96 Tech Schools

Comments regarding SB 437  
Senate Committee on Economic Development

Dr. David A. Ambler  
Vice Chancellor for Student Affairs  
University of Kansas, Lawrence Campus

February 9, 1990

My name is David Ambler, I am Vice Chancellor for Student Affairs at the University of Kansas, Lawrence. I am responsible for providing a number of the University's support services for students. Although SB 437 may not be focused upon university bookstores, I will be making my comments on university bookstores because of some of the things I understand were said to you yesterday.

Regarding some of the particulars you heard yesterday, I have provided a handout which I believe addresses a number of these issues. Although I do not think a detailed review of the accuracy of these particulars will be constructive to your efforts today, we would welcome the opportunity to respond to any of your specific questions about these issues.

The State of Kansas has established the University of Kansas as a residential program. Like other residential campuses, it is necessary for us to provide many program and services for the university community beyond just those necessary to support the academic and teaching program.

My responsibilities include providing a number of these services including housing, health services, and recreational and social programing. Similar services are provided at each Regents institution.

Appropriately so, the State of Kansas does not provide state appropriated funds to finance student housing, student health, or the student union programs at the Regents institutions. These units must produce their own revenues. For instance, \$31 million of the \$35 million contained in my area of responsibility, consists of these auxiliary, non-state supported, functions.

The Kansas Union is operated by a not-for-profit corporation authorized specifically by Kansas Statute. K.S.A. 76-6a01 defines a student union building as a building which is used as "a recreational center for students, . . .and other purposes incidental thereto." State law requires student unions to be operated by corporations "organized, officered, and directed by faculty members, students and alumni of the institution." The programs and services offered are designated to develop and enhance the "out of classroom" learning experiences of the students.

As I am sure you are aware, the many uses of a student union include provision of meeting rooms to students and faculty, the provision of space for social and cultural events, and the provision of goods and services necessary to a student population.

At KU, the Kansas Union has a 12 million dollar total budget. 93% of the cost of operating this extremely busy campus facility and continuing education center comes from the income that it produces from its food service and bookstore operations as well as student fees. 75% of the building is used for cultural, recreational and educational activities that does not produce any revenues.

I repeat, the Kansas Union does not receive any appropriated state funds. This has been the long-standing policy of this legislative body and the Board of Regents. Because of this, it must produce income sufficient to meet its expenses.

Unlike a private bookstore, the Kansas Union Bookstore is required by the University to offer all textbooks, classroom materials and academic aids that the faculty require for its instructional program. This is the only way the University

can insure that students will have the academic materials they need to be successful in their academic endeavors.

Most -- if not all -- of the goods and services provided by campus bookstores -- can be provided by a private bookstore. However there is absolutely no guarantee that the private store will stock the items requested or would stay in business if a particular portion of the market were no longer profitable or advantageous to them.

A private bookstore, any private bookstore, can set its own pricing policies, its own return policies, carry only the most profitable items, and pick and choose what it does on a daily basis. There is certainly no guarantee that long term educational objectives are taken into account, or that the best interests of students will shape the store policies. A dissatisfied customer can not turn to the University for relief.

For example, it is not profitable for a private bookstore to stock 15 copies of an expensive, non-returnable foreign publication because of the risk involved if those copies are not sold. A private bookstore may not carry a full line of art supplies at the best prices. Finally, a private bookstore typically does not return profits to the students through patronage refunds.

At a university affiliated bookstore like KU, students and faculty create, review and approve all major merchandising policies. It is not uncommon to find profitable items or services subsidizing unprofitable but necessary ones. In addition, at KU, students commonly receive six to seven percent back on their book purchases through a long standing patronage dividend system similar to those found in cooperatives.

In a similar fashion other areas of student unions provide meeting rooms and food services available at times and in fashions which would be economically unprofitable for the private sector to provide, but which are necessary for students participating in the University's program.

The activities of the student union do not inhibit the local economy but greatly stimulate it. The programs, activities and services of the Kansas Union bring thousands of people to the university and the community of Lawrence each year. These guests and students contribute much to the economic and commercial success of Lawrence. I'm sure whenever you drive through a university town like Manhattan or Lawrence, you are reminded of how tremendously blessed and varied the local retail environment is because of the presence of a University community. It is difficult for me to understand in such a robust retail environment how a university could be perceived as anti business.

Campus facilities maintained by colleges and universities are responsive *not* to short term profit motivations, but to the needs of the campus community. The Kansas Union, as well as other student unions in the Regents system, makes careful decisions about the products and services it will provide on the basis of appropriate availability, and the fulfillment of basic educational objectives, and these decisions reflect the active involvement of the concerns and needs of the students and faculty.

Finally, I would like to say in conclusion that it is unfortunate that so much time has been focused on the issue of sales by University Bookstores. But because of some of the comments made here yesterday, I thought it important to respond.



Of course the implications of SB 437 upon higher education are much broader and more significant than any concern about student unions. The implications are significant in the educational and research missions of the institutions. I believe Mr. Ayres will detail these other areas of concern for you on behalf of the Board of Regents.

Yesterday, I believe you were presented with just one side of a story. Before you react, I ask that you carefully consider the long term implications of this proposed legislation, not just upon student unions, but upon the entire system of higher education and the state of Kansas.

# KU Bookstore responses to local concerns

The Jayhawk Bookstore is concerned that they do not receive all text information and must pay \$500 per year to receive the information.

**The KU Bookstore forwards all textbook information it receives to the Jayhawk Bookstore. The reason the University policy governing the submittal of textbook information requires the information to first be turned into the KU Bookstore, is because the KU Bookstore is required by the University to stock all academic materials. The charge assessed the Jayhawk Bookstore offsets a portion of the expenses incurred to obtain the information and the printing of the forms required. The few pieces of information the Jayhawk Bookstore has not received has been due to human error or has been due to the information not being available to the KU Bookstore .**

The Jayhawk Bookstore is concerned that the KU Bookstore is selling some instructional materials at a lower margin of profit and with not being able to return some items purchased for resale from the KU Bookstore.

**The KU Bookstore bases its' pricing policies on expenses and national averages. Similar to the Jayhawk Bookstore, the KU Bookstore does not have return privileges on all instructional materials they purchase. Some items are sold to the Jayhawk Bookstore, at the KU Bookstore costs, with a non-returnable stipulation.**

The Jayhawk Bookstores royalty exemption on sales of Jayhawk items was removed.

**The KU Bookstore manager recommended this change in exemptions for the KU Bookstore, as well as the Jayhawk Bookstore, so both stores would be paying the same price for merchandise as other merchants.**

The KU Bookstore has taken the sales of 300 computers away from the private sector.

**The KU Bookstore has sold a different technology of computer than the local computer dealers during the last two fiscal years. Some schools stress IBM compatible equipment (the majority) and some stress Apple equipment. One reason the Bookstore has been successful has been due to the absence of Apple technology in Lawrence.**

The KU Bookstore is competing with the University's own office supply store.

The KU Bookstore sales compete with the clothing retailers in Lawrence.

The KU Bookstore uses alumni mailing lists and is a corporate sponsor of KU Athletics.

The KU Bookstore has increased advertising in the recent past.

The KU Bookstore does \$20,000,000 in sales.

The KU Bookstore has offered a office supply catalog to University departments since 1982. University departments are required by University policy to requisition their supplies from the Office Supply Store (University Purchasing) first. If an item is not available the University department may purchase the item elsewhere. The KU Bookstore catalog is provided as a service to make these purchases easier. No one is required to purchase products through the KU Bookstore. The catalog is purchased from a wholesale supply company and is a resource available to any office product dealer.

The KU Bookstore only sells college-related, emblematic, clothing. Sales of this type of merchandise are available city-wide and help promote the University as well as providing royalty fees for use in scholarships at the University.

The Bookstore sends a collegiate merchandise catalog to all paid members of the Alumni Association, at the request of the Association, at the bookstore's expense. This has occurred since 1978. The Bookstore has provided funds to the Athletic Corp. to receive the benefits of corporate sponsorship the same as other corporate entities. We participate in this program because it assists the student-athletes representing the University. A portion of our sponsor funds are designated to help promote women's basketball and volleyball.

The KU Bookstore has increased it's on-campus advertising with the advent of more cooperative advertising allowances being offered from our suppliers. These funds are provided by vendors to advertise their products on campus. This is a standard procedure nationwide.

The Bookstore has had actual sales of \$9.1 million during the last two fiscal years.

The Jayhawk Bookstore has not been allowed to operate their British Bus on campus.

**This was a decision of the University Events Committee in accordance with University policy.**

The Jayhawk Bookstore has not been able to renovate while the KU Bookstore has.

**The Jayhawk Bookstore has sought approval from the Lawrence City Commission to renovate their store. The renovation request was granted. The KU Bookstore has received approval for its renovation projects from the University of Kansas Memorial Corporation Board of Directors, University Facilities Planning, University Administration, the Board of Regents and the Joint Committee of the Legislature on Building Construction.**

The KU Bookstore has an unfair advantage in location of its textbook buyback.

**The KU Bookstore buys textbooks from students in both the Kansas and Burge Unions.**

The KU Bookstore has an unfair advantage in the Scholarship accounts.

**The KU Bookstore will set up charge accounts for any department on campus that requires this service.**

The KU Bookstore has used its status to obtain exclusive sales rights to some merchandise.

**The only merchandise the KU Bookstore wants exclusive rights to sell is the merchandise that has been designed and paid for by the KU Bookstore.**

The KU Bookstore has not shared its list of required school and art supplies.

**Faculty do not normally submit such lists. If these lists are obtained they would be shared, upon request, with the private sector.**

The KU Bookstore has sold computers to ineligible individuals.

**According to the Post Audit Report of October 1989, all computers sold by the KU Bookstore have been to KU faculty, staff and students. A small number of students that were not full-time (a requirement) did purchase computers after stating in writing that they were full-time. The Bookstore adopted a more stringent means of verification in May 1989 and the Post Audit Report spoke favorably of this change.**

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**Testimony of  
David St. Peter  
Undergraduate Representative  
University of Kansas  
before the  
Senate Committee on Economic Development  
on Senate Bill 437  
of the  
Kansas State Legislature  
Topeka, Kansas  
8:00 a.m. February 8, 1990**



## Chairperson Kerr and Members of the Committee:

My name is David St. Peter and I am an Undergraduate student studying Cellular Biology at the University of Kansas. I am a lifelong resident of the state of Kansas and I hope to represent the opinions of all students who attend Regent's Universities, especially those who attend the University of Kansas. I am here this morning to speak in opposition to Senate Bill 437.

We understand that the nature of Bill 437 is to establish a Kansas Private Enterprise Review Board which is to receive written complaints from private enterprises that feel an activity of a state agency is in direct competition with such an enterprise. Although we are concerned with many of the issues raised by the Bill, our main concern is that the legislation could be applicable to such auxiliary services as the Memorial Union, residence halls, athletic departments, student activities, and other educational facets of the University.

We feel that these services are essential educational tools for students and cessation of the services they provide will cause substantial harm to the legitimate educational activities of our University. The implications of Bill 437 could mean that students would have to give up the convenience of having such educational items as; printing services, food services, living arrangements, recreational services, medical services, bookstore services and other necessary student services close at hand. Faculty, staff, and students would then be forced to go off campus in order to seek out these services. The convenient, campus location of such services is of utmost importance to students, especially the many students who lack access to the local community. We feel that if the intent of these services is to provide students, faculty, and staff with essential educational tools, then the services should continue to be made available to them at the most convenient location.

The cessation of such services would also have an effect on the financial commitment by students to their Universities. One example of such an effect is the ultimate increase in student fees in order to support all the services offered by the Kansas and Burge Unions at the University of Kansas. These services are funded primarily (94%) by the revenues they receive from sales and secondarily (6%) by student activity fees. If the Union's revenue producing avenues were restricted, then student fees would have to be increased in order for it to continue to provide students and student organizations with various non-revenue producing services like the availability of meeting rooms, informational centers, and a place to study in groups. Students across Kansas are in opposition to any additional increases in student fees, especially when such an increase can be offset by allowing the Unions to provide revenue producing services we find essential to our educational experience. In addition, we support the exploration of any national programs which make necessary educational items (i.e. computers) available to students at reduced prices, because this in turn ultimately reduces the cost of our education.

We feel that the establishment of the Kansas Private Enterprise Review Board as it applies to the auxiliary services provided by state educational institutions most seriously affects students, both financially and in our pursuit for higher education. We urge the Senate committee here assembled that they give considerable thought to the implications of Bill 437 as they apply to the hampering of such educational services offered to students by our University. Thank you for your attention to and consideration of this testimony.

## Lawmakers might set back free enterprise in Kansas

The Kansas Legislature could become the next potential contender to contemplate ripping off KU students.

A joint committee on economic development in the Legislature is considering a proposed bill that could question the legality of the Kansas Union selling Apple Macintosh computers at reduced rates. The Union sells these computers to any full-time student or faculty member under the retail price.

Mike Reid, manager of the KU Bookstores, said that although the reduced cost for an Apple computer sold in the Union depended on the package, 1,123 students and faculty had purchased computers during the past two years.

Computer literacy needs to be promoted in all academic aspects of the University. There is a substantial need for students to acquire personal computers. With the computer center limited to one location and restricted in hours, access to computers is mandatory. If computers at cheaper prices are to be more accessible to students and faculty, the continuation of this program is essential.

Local computer store distributors contend that the Union's service infringes on their market and reduces their profits. A complaint forwarded to the Legislature by one local retailer claims that store profits have been cut by 91 percent and 16 people have been laid off since the Union began offering computers at a more competitive cost. Reid said that it took two full-time employees and one part-time employee to sell all 1,123 computers at the Union during the past two years.

The Legislature must realize the gravity of this situation. If they deem themselves worthy to monitor computer sales and dictate price ranges in Lawrence, what is to keep other local businesses from maximizing their profit potential through the same complaint process? Potential complaints from local apartment landlords could surface, claiming that University prices for living in residence halls are too competitive.

State officials must watch closely and review all the information presented to them if they are to make a wise and beneficial decision for all parties involved. Free enterprise, an ideal this nation has supported since its founding, must be allowed to prosper throughout the country, as well as in Kansas.

Thom Clark for the editorial board

The University Daily Kansan  
7/8/89

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# Editorial

Kansas State Collegian ■ Opinions ■ Monday, October 23, 1989

## Absurd bill eliminates convenience services

A proposed state bill would bar K-State from offering 22 services, including housing in residence halls, health services and textbook sales.

Some private business owners are charging it is unfair for a state agency or a university affiliate, such as the K-State Union Bookstore, to offer such services on campus because of its location. Nowhere else, business owners argue, is there access to such a steady stream of customers.

More specifically, the bill stems from complaints that sales at area computer stores have fallen in proportion to the rise in computer sales in the K-State Union.

The bill, as it reads, is ludicrous.

If the bill were to pass, residence halls and the Lafene Student Health Center would have to be sold to private interests, or simply closed.

T-shirts and textbooks could no longer be sold on campus. In the Union, movies could no longer be

shown and photocopies could no longer be made.

Students would have to give up the convenience of having such services close at hand, because of a few jealous businessmen. Students, faculty and staff would have to go off campus for not only computers, but any convenience items offered on campus.

But, then wouldn't those businesses located closer to campus have the new unfair advantage? Perhaps, then businesses located further from campus would demand that the city be rezoned, placing competing businesses exactly the same distance from campus.

The vagueness of this bill and the motivation for its creation are ridiculous. The Bookstore and other University services are here for the students, faculty and staff.

If private businesses can provide better or less expensive services and products, then customers will respond with their patronage.



# Campus computer availability expands

By Travis Butler  
Kansan staff writer

Personal computer use on campus is growing, with an increasing number of computers becoming available for student, faculty and departmental use.

Herb Harris, assistant director for user services at Academic Computing Services, said ACS had added a number of personal computers that were going to several places around campus. Some machines have gone to the School of Education, the School of Journalism, to some faculty members and student organizations. In addition, the two labs at the Computer Center that have microcomputers for student use were upgraded this summer, he said. Modern systems replaced the older machines, and the older machines were moved to other locations on campus.

"We've essentially doubled the number of machines available to students by upgrading the labs," Harris said.

But that may not be enough to satisfy some students.

Jennifer Urias, Omaha, Neb., sophomore, said, "I think they need more Macintoshes. Everybody likes them, and there are not enough. You have to wait too long. I've always waited at least 20 minutes to a half hour, and sometimes as long as 45 minutes."

Richard Swartzel, Lawrence senior, also thinks that the Computer Center needs more Macintoshes. He said he had spent up to 20 minutes waiting to use a computer.

Harris agreed that many students had to wait.

"As far as I know, we're the only lab open 24 hours. When it's midterm time and there's a crush to get papers done, students get nervous

## Faculty members find uses for computers

By Travis Butler  
Kansan staff writer

Students are not the only people using personal computers more often. Faculty and departmental offices have been using computers in a variety of ways to help them work more efficiently.

Tom Cravens, associate professor of physics and astronomy, is a good example. When he came to the University of Kansas from the University of Michigan to head the department's space physics group, the department bought three Macintosh II's, one Macintosh SE and two LaserWriter II laser printers for his group's use.

"I don't so much use it for number crunching," he said. "I use it heavily for word processing, and also for making schematics, documentation, graphics and figuring grades. Basically, anything you can think of, we do."

Sue Schumock, secretary at the Advising Support Center, also uses her personal computer for word processing. In addition, her computer is linked directly with the administration computers, allowing her to access student records during the advising process.

"That way we can run off ARTS forms here, so that the adviser can have a hard copy of the information and so the student has something to take with him," she said.

Robin Holladay, office manager for the department

and anxious," he said.

Swartzel said, "I use it for all my classes. There's not a situation on the planet you can't use a Mac for. I'm a hundred times more efficient when I use the Macs, and my grades have improved."

"The staff here is excellent. Any questions or trouble I have, they'll always help and work with you."

Ross Franken, Sioux Center, Iowa, graduate student, said that although the computers were not explicitly required for his courses, they definitely gave an advantage to students.

of communications studies, said the department offered a computer system to incoming faculty as part of a package deal. She said she used her personal machine mostly for word processing, including letters and papers that are going to be presented at conventions.

"Not having to retype and retype is a wonderful blessing," she said.

The department buys its computers through a state contract, Holladay said. The two main types of systems available on the contract are Macintosh computers from Apple Computer Inc. and IBM-PC compatible MS-DOS computers from Zenith Electronics Corp. Departments are required to purchase from the contracts unless there is some overriding reason not to, such as a substantial cost savings.

She said that the department bought Zeniths mainly because they were cheaper.

"The Zeniths are a little bit cheaper than the Macs," Holladay said. "There's just so much more you can do with the Macs. If we had the money, we would buy Macs."

Cravens also prefers the Macintoshes.

"I have worked with the IBM PC," he said. "I didn't find it as friendly to use. I can learn to do more things more quickly."

Not everyone agrees. Marilyn Heath, assistant to the chairman of the theatre and film department, said the Zeniths were just fine for what department members wanted to do.

"In some of my classes, you have to go back and revise your papers," he said. "Instead of having to retype the whole thing, you can just go back and make your changes."

Some professors do require their students to use computers.

Martha Delaplain, San Francisco sophomore, said her professor in human factors in design course had students use both the MacDraw and MacPaint programs on the Macintosh.

"We're just seeing how they work," she said. "In our report,

we're supposed to tell how they're different. I'm sure we're going to be doing more projects with the computers."

Students in the theater and film department are using a group of three or four Macintoshes to do scene design, said Marilyn Heath, assistant to the chairman of the department.

Urias said that her geography teacher required his students to use a program called Atlas Explorer to learn geography.

"He thinks it's a good learning tool," she said.

Study shows that even moderate exercise can prolong life 3-6

## ECONOMIC DEVELOPMENT COMMITTEE

Testimony Prepared By  
Hyde S. Jacobs  
February 8, 1990

I am Hyde S. Jacobs, Assistant to the Dean of Agriculture, Kansas State University.

With both state and federal support, Kansas State University has developed many programs to enhance the production, protection, and marketing of the State's crop and livestock products.

In its legislated teaching, research, and extension mission, K-State conducts research in growing, managing, and marketing the State's important crops at Manhattan and at four branch stations and 11 experimental fields. Feeding, grazing, and other management trials with livestock are conducted at five separate locations. K-State faculty have developed nationally recognized programs in plant and animal breeding, plant and animal nutrition, and crop and animal protection.

The economic impact of value-added products was recognized early in the State's development. Consequently, K-State utilizes a pilot flour mill, bakery, feed formulation plant, full-line dairy processing plant, meat and poultry slaughter and processing complex, and similar facilities in its teaching, research, and extension programs. K-State students, Kansas agriculture, and the Kansas economy are the ultimate beneficiaries.

Obviously, in such a program a wide variety of agricultural products are produced, processed, and marketed. When products are sold, the funds, by legislative authorization, are used for replacement cattle, operating expenses, and to initiate additional research and demonstration programs.

The following are examples where products or services resulting from teaching, research, and extension programs are offered for sale. The list is not comprehensive.

1. Sale of meat as a by-product of teaching, research, or extension programs. It would be impossible to continue the scope of present research and teaching efforts without recovering some costs through sale of the product.
2. The work of the newly established Agricultural Value-Added Center will intensify efforts to develop value-added products using meat, food and feed grains, and horticultural products.
3. Sale of milk and milk products to dormitories and facilities on campus. This could be viewed as competitive with private enterprise but the research and teaching functions would be seriously curtailed if the product could not be marketed.

4. Production and sale of foundation seed. In each state, the Agricultural Experiment Station is charged with the production, quality control, and distribution of foundation seed resulting from experiment station research. Foundation seed is sold to qualified growers to facilitate the distribution of pure seed and partially recover research and production costs.
5. The Kansas Artificial Breeders Service Unit, developed by request of the livestock industry, has a long history of supplying superior semen to producers.
6. Crops and livestock produced on experimental stations and fields during research, demonstration or management trials are sold to facilitate a continuing research and demonstration program.

Each of those activities is essential to the teaching, research, and extension programs at Kansas State University. Those programs have been established and the resulting funds have been utilized as directed by the legislature.

Each program positively impacts economic activity and farm profitability. Should sales not be allowed, those and similar programs would be seriously curtailed or additional funds would need to be appropriated.

Under the provisions of Senate Bill 437, each activity could be construed to be in competition with private industry. However, it seems clear that those and similar programs at Kansas State University were authorized by the legislature to provide teaching, research, and extension support for private industry, for students, and for farmers, families, and communities in Kansas.

It is our recommendation that Senate Bill 437 not be adopted.

The Testimony of

Ted D. Ayres  
General Counsel  
Kansas Board of Regents

before  
THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT  
1990 Legislative Session

in re  
Senate Bill 437

8:00 a.m.  
February 8, 1990  
Room 123-S  
Kansas Statehouse

Chairperson Kerr and Members of the Committee:

My name is Ted D. Ayres and I am General Counsel to the Kansas Board of Regents. I am here this morning representing the Board of Regents and the Regents institutions. I speak in opposition to S.B. 437.

We understand the advisory nature of the private enterprise review board. We appreciate the fact that the bill does not apply to auxiliary operations of the universities such as the memorial unions, dormitories and the athletic corporations. However, representing one segment of state government, I must express the following concerns to you:

(i) Is the state of Kansas prepared for the administrative burden such a private enterprise review board is likely to place on the legitimate operations of state government?

(ii) Is it appropriate to have a review committee reviewing "public competition" with private enterprise where 2 of the 3 committee members are from private industry?

(iii) We, of course, cannot and do not speak for all of state government. However, it is our judgment and belief that this bill could have a negative impact on the following student services and/or operations which are universally considered to be appropriate activities of public institutions of higher education: (1) copying services; (2) student health services; (3) movies/plays/concerts on campus; (4) student counseling services; (5) dental hygiene clinic; (6) book sales; (7) athletic events; (8) student health insurance; (9) business assistance; (10) financial aid assistance; (11) student newspaper; (12) placement services; (13) hospital services - Medical Center; (14) research projects/endeavors; (15) operation of

agricultural experiment stations; (16) extension agents; (17) assistance to small business through SBA Small Business Development Centers located on some of our campuses; (18) provision of information and assistance in development of forest resources in state; (19) clinics for exceptional children; and (20) the program to limit damage by wildlife to Kansas farmlands. We strongly question the need for a private enterprise review board or its application to the Regents institutions. Furthermore, we would ask that you carefully consider this legislation on a long-term basis to determine whether it assists economic development, or serves to severely hamper it.

Thank you for your attention to and consideration of our concerns.



Jeff Sigler

# MACSOURCE

*The Best Support for the Apple Macintosh. Anywhere.*

## Grand Opening

January 22 to 24 1:00 PM to 7:00 PM

Over \$5,000 in Door Prizes

**January 22**

**Publishing and  
Productivity**

Aldus  
Claris  
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Farallon  
Great Plains  
HealthCare Communications  
Informix  
Interleaf  
Kodak  
Linotype  
Microsoft  
Quark  
Roland

**January 23**

**MultiMedia and  
Music**

Aappes  
Aldus  
Coda  
Digidesign  
Farallon  
Kurzweil  
MacroMind  
Microsoft  
Mirus  
NuVista  
Pinnacle Micro  
Roland  
Truvel

**January 24**

**Science and  
Engineering**

Ashlar  
Claris  
GCC  
CalComp  
Linotype  
Microtech  
Paracomp  
Newer Technology  
NuVista  
QMS  
Schlumberger  
Truvel  
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SENATE ECONOMIC DEVELOPMENT  
2-8-90 Att. 6



COMMENTS ON  
GOVERNMENT COMPETITION WITH THE PRIVATE SECTOR  
TO THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

BY JUDY KRUEGER  
REGIONAL ADVOCATE  
OFFICE OF ADVOCACY  
U.S. SMALL BUSINESS ADMINISTRATION

FEBRUARY 08, 1990

Thank you for this opportunity to submit comments relative to S.B.437, and the broader issue of government competition with the private sector.

After studying this issue at the federal level, and having the issue of unfair competition raised closer to home in Iowa, Missouri, and Kansas, -- in Hays and in Lawrence -- it seems the question for legislators and tax payers is both philosophical and bottom line. Philosophy and ethics are difficult to legislate, but one can ask several pertinent questions relating to the bottom line.

How many activities is the legislature going to ask local business men and women and individuals to pay for and then place under the protective cloak of education or government service?

As you know all too well, many a small business owner in Kansas is choking on his property taxes and trying to reconcile reappraisal with survival. The goal of reappraisal and classification was to more fairly distribute the local tax burden. Those local taxes go toward supporting local government services and education. How good can a local business owner feel when his property taxes have increased perhaps three-fold, he is trying to figure where the money is going to come from, and, to add insult to injury, his biggest competition is from an institution that is tax-exempt? He is, in fact, taxed to support his own competition.

Should a government service, once instituted in response to need, continue forever as a government supported service just because it exists? Is it necessary, or just nice and convenient?

Should there not be a regular review of government supported services, perhaps even a sunset provision, to check that the need for the service, agency, or activity still exists and that the private sector is not capable or willing to provide that service effectively or efficiently?

In response to this bill, a number of entities, notably educational institutions, have come in to declare that if this bill is passed, extreme situations will arise and they will no longer be able to contribute to providing a "well-educated and skilled work force." They claim they will bleed to death, that their mission of education is endangered. Since they are hooked directly into a tax support system, their claims seem grossly exaggerated. Legitimate educational activities are not being questioned. Furthermore, it seems ironic that such entities would like to deny the right of persons paying their bills to question their activities. They want total freedom to operate under the "mission of education." According to Tara Fuchs, Assistant Director of the Arizona Department of Commerce and staff to Arizona's Private Enterprise Review Board, 75% of the complaints they receive are related to university activities and the definition of "services to students." To exempt from coverage educational institutions would be to

exclude the main source of contention. It would be like instituting a speed limit that excluded persons driving automobiles.

Creation of a board to provide an avenue through which a small business person with a legitimate government competition problem can seek help hardly seems a death threat. Perhaps students would benefit more if the resources educational institutions spend on conducting and defending commercial activities were spent on securing qualified classroom teachers.

It was abrought to my attention that more and more pressure is being placed on government agencies and tax-supported entities to generate income from the services they provide. The Appropriations Committee might say to an agency, "You asked for \$100,000 to do a project. We are going to give you \$50,000, and you institute some fees or other avenue to match that amount." The agency has a number of services for which it charges. One of them is a catalog to help promote certain kinds of products and small firms. After an initial struggle, it gets off the ground, becomes nearly self-supporting, and is a jewel in the agency's crown. Up pops an entrepreneur who says he or she wants to and can put together and publish such a catalog. Initially, in the agency's pitch to get funds for the project, it was promoted as a one-time project to give businesses a boost. It worked so well that not only are the featured firms doing better, but a business even wants to take over doing the catalog. However, that will leave the agency with doing only the dog projects -- things that no one else wants to do. What do you as a

Legislature want the agency to do? Should taxpayers be asked to continue to support the project when someone else has arisen to do it privately? Or should the entrepreneur be denied and the catalog used to produce revenue for other projects in the agency? Consistency in the overall direction of policy definitely needs to be addressed.

If you are looking for ways to equitably distribute a necessary tax burden, are there places you have not looked? How much income from regular commercial activities do non-profits and governmental agencies realize? How much revenue is tax-free? Are these activities all declared as "related" to the tax-exempt purpose of the entity? Why? Are they really providing a needed "service" not available in the private sector? Are the properties and resources used in the production of these related and unrelated activities appropriately accounted for, assessed, and taxed?

Again, in summary, the essential questions are these:

What activities do you as legislators want to ask taxpayers to support?  
To what extent should a state engage in providing services?

Which activities are going to be given protection from tax assessments and other forms of accountability and regulation?

Does the small business person have any place to go to express a negative impact he has felt from government or non-profit competition?

Is there any monitoring for unfair competitive situations created by government?

Finally, judging from responses in other states, S.B. 437 looks like a beginning, but for any such review board to be effective, it needs proper representation, it needs to be placed where there is no conflict of interest, it should be adequately staffed with access to legal expertise, and it needs to have clout, such as "cease and desist" authority. Other states have plowed the ground in this area, but it would be difficult to say there is a successful hybrid yet. The opportunity is open. Clearly, from the number of persons who have appeared during the interim and in this Committee, there is cause for concern about the appropriateness of state support for commercial activities that are in clear competition with the private sector, and I commend you for your interest in small business.

Comments of Judy Krueger  
Regional Advocate, U.S. Small Business Administration  
to the Kansas Joint Committee on Economic Development  
on the Unfairness of Competition between  
Small Businesses and Governmental Agencies

June 19, 1989

M. Chairman and members of the Committee, I am pleased to have this opportunity to speak on the issue of government competition. When Lynne talked with me last week to fill in here, she also said I might touch on the broader subject of "unfair competition" as well. With the prospect of low farm revenues and the related impact on other businesses and the State, and in the environment of Government looking increasingly at business to shoulder more burdens of employee benefits, and with reappraisal resulting in as much as a 300% increase in property taxes for some small businesses and individuals, it is likely that those entities not paying taxes, their activities, and the nature of those activities are going to be more closely scrutinized by their tax-paying neighbors. Those who have to pay taxes and abide by all the rules and regulations are saying that it is hard enough to survive in a global economy without the unfair competition posed by nonprofit organizations, government agencies, and utility companies.

Unfair competition: What is it? In Advocacy, we identify three sectors from which unfair competition arises: non-profit organizations, government agencies, and utilities. All three sectors exist for good reasons: to provide charitable or educational services; to provide services and facilities for the public good; and to provide stable sources of energy, water, and other essential services. Nonprofit and government agencies were also seen as non-vested interests capable of rendering testing, services, or decisions that would be unselfish and unbiased. That same belief might not be as widely accepted today.



The right of these entities to exist is not at question. What is at question is their use of tax-exempt status to provide bottom line advantages in conducting regular commercial services in competition with businesses that must pay property taxes, ad valorem taxes, sales taxes, etc. In addition, these tax-exempt entities enjoy other privileges including reprieves from requirements to provide liability insurance, exemptions from certain regulations and standards, access to special low-cost postage rates, and frequently they can acquire merchandise at below wholesale prices not available to businesses in the private sector. With the wonders of accounting, they are also able to use revenues received from a purely "charitable or educational" purpose to start, expand, and attract capital for purposes which are not closely related to their tax-exempt mission. In the final analysis for all three sectors, the "unfair" advantages they have were granted them by some level of government, so the issue is essentially government subsidized competition with the private sector.

As legislators, you are faced with issues of stimulating economic development, providing essential infrastructure and services for the common good, finding sources of revenue to pay for those services, leveraging scarce resources to provide services to those in need, and regulating public and private activities to ensure safety, health, and fairness. Often the results of these activities are contrary to one another. In addition, the world refuses to stand still and we find conditions constantly changing.

Before I highlight some of the legislative activities addressing the unfair competition issues in other states, I want to touch briefly on the problems associated with the three sectors I have mentioned.

#### NONPROFIT ORGANIZATIONS

Many nonprofit agencies originated when situations arose calling for someone to provide health care, temporary housing, or organized recreation, etc. for people or children in need. Typically, a church-based group of volunteers came to the rescue and were able to obtain donations of buildings, services, groceries, and the like. In order to help these groups continue their services, which were valuable to the community at large and deemed a responsibility of the community, over time certain privileges were granted to them by local, state, and the Federal government. The tax-exempt status and tax-deductions granted were seen as probably the most cost-effective way to provide these services which were seen as quasi governmental responsibilities. Over time, the number, size, and services offered by these tax-exempt organizations grew, and their irregular fund-raising events transitioned into regular, professionally-managed, on-going commercial activities.

YMCAs, once providing gyms where disadvantaged boys could spend time in wholesome activities off the street, often have turned into money-making fitness centers for the middle and upper class. As the fitness craze

grew, and people in the private sector started for-profit fitness businesses, conflicts have arisen because the Ys typically did not pay property or sales taxes, or have to collect sales taxes. They also received tax-deductible donations of all types, and could promote their fitness centers and services through the mail at reduced costs or through radio and TV spots as part of local "public service messages." To add insult to injury, these nonprofit organizations often solicit donations from the very businesses with which they compete. I am sure you are familiar with this scenario. It is a typical one and extends to hospitals, museums, United Way agencies, and others.

#### UTILITIES

Utilities are not supposed to cross-subsidize for-profit activities with revenues from utility charges, but there have been many breaches of the law. A problem in a neighboring state arose when an energy utility offered special rates and free installation to customers if they bought air conditioners according to certain specifications. It just so happened, that the only air conditioner which met those specifications were sold only by the utility. Although such practices are prohibited by law, enforcement was found wanting.

#### GOVERNMENT AGENCIES

The three most common bones of "unfair competition contention" are

YMCAs, hospitals, and university/college bookstores, with the latter being perhaps the bone of most common complaint. In western Kansas, beauty shop operators are upset because they cannot compete with the college bookstore prices for shampoo, hairdriers, permanents, etc. The bookstore is open to the public and supported with public tax-dollars, some of which these beautysshop operators pay. They are also upset with the offering of below-cost services to the public. In Lawrence, Manhattan, Hays, and other college towns, the computer stores have had to quit selling Apple Computers because the university bookstores became dealors and could sell the computers at prices below that for which the computer stores could acquire them. Marketing was done through the auspices of the university on univeristy letterhead, printed at university facilities, mailed using university mailing lists to reach thousands of customers across the country and delivered door-to-door, and the flyer advertising the truckload sale was accompanied with an endorsement letter from the director of computer services. The flyer also noted that financing was available through the office of financial aid at the university. The combination of loophole abuses by the vendor, the university, and campus bookstores resulted in reductions in sales for the private businesses of 40% to 60%. In Washington State, the university bookstore was the distributor for a certain make of computer and VCR. It was certainly impossible for any private business to compete with that situation.

Competition from government agencies covers a wide range of activities

in addition to university bookstore operations, from sale of prison-industry products to lab-testing services by state agencies. Related to the unfair competition issue is the contention that part of a state's efforts to stimulate the economy should come in the form of privatizing as many government services as possible. It is increasingly thought that turning to the private sector whenever possible for services such as printing, transportation, and even certain administrative services would be more efficient and up-to-date. The line between efficient operation, educational purposes, and unfair competition is fuzzy. Services that once only non-profits or government agencies provided, are now available in the private sector, and often at lower costs. Computers and other technology have made a difference in that respect, and printing is one of the activities affected. One problem which arises is what to do with the government employees currently engaged in providing these services. The jobs would be transmitted to the private sector, but not necessarily particular individuals.

Anyone engaged in economic develop activities is standing somewhere on that fuzzy line. When are consulting services provided free or at very low cost justified, and when do they start competing unfairly with the private sector? Do the long term advantages of granting tax credits to attract businesses or stimulate hiring of certain types of employees outweigh the short term costs, and can their narrow application to a few be socially and economically justified?

You have a difficult task, and part of the problem is knowing when to say so much of the carrot is enough; recognizing when conditions have changed rendering a certain government provided incentive, benefit, or service no longer necessary or appropriate; or determining when long term gains justify short term costs or losses of revenue. Which costs the most: providing an incentive to stimulate long term investments which create jobs, or providing social services to those without employment opportunities and promoting the continuation or formation of nonprofit service agencies by granting tax exemptions to them and charitable tax deductions to those who contribute to them? Is it fair to offer incentives to large businesses coming into the state, while existing businesses that have been turning the crank daily hardly receive a pat on the back? All of these questions are facets of the government subsidized competition issue.

Kansas has been on the leading edge in creating vehicles to stimulate private investment in economic development, and the incentives seem to be prudently measured, unlike our neighbor to the north who almost lost the farm providing "tax credits." You have been able to direct your enthusiasm toward energizing the State's economy and providing challenging employment opportunities for youth without getting carried away and "sacrificing the entire farm." Obtaining the most from each resource and engaging all sectors in partnerships to stimulate the economy is a balancing act. How do you entice the universities to help entrepreneurs in developing new products and not offend someone in the

private sector who either could have conducted the research or testing necessary, or who might be developing a similar product independently? When are certain activities of tax-exempt or tax-subsidized entities needed contributions, and when are those same activities unfair competition?

#### STATE LEGISLATIVE ACTIVITIES

States across the country are working on the issue of fair competition. Arizona led the way in 1981 by establishing a Private Enterprise Review Commission to evaluate and monitor state activities. In 1987, the Commission was given Board status, and legislation was passed which prohibits state agencies, including higher education institutions, from engaging in commercial activities. The Board's authority was expanded to examine practices of exempt state agencies and to make recommendations to the Legislature. The review process for universities was accelerated, and staffing for the Board was switched from the Department of Administration to the Department of Commerce. In 1988, HB 2368 was passed. It increased the accountability of nonprofit corporations to the general public by requiring disclosures of acquisitions of for-profit entities by nonprofits, and acquisition of nonprofit entities by for-profit corporations. Nonprofit corporations are required to file annual reports including income and expense statements, and balance sheets showing assets, liabilities, and net worth.

## Unfair Competition

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In California, the existing property tax law provides an exemption if the property is exclusively used for exempt purposes. If unrelated business income is derived from use of exempt property, a prescribed formula will be used (effective beginning 1989-90) to assess property tax on a portion of the property. In August of 1988, the California Board of Equalization revoked part of the property tax exemption of the Monterey Aquarium when an audit it performed revealed that a portion of the Aquarium's activities (food, bar, and souvenir sales) competed to a significant extent with for-profit businesses providing the same or similar services in the area.

The Marin County, California, Superior Court issued an injunction against the establishment of a full service discount bookstore operated by Barnes & Noble Inc. on the Marin County Community College campuses. The injunction was issued based on a California Education Code statute prohibiting such full service bookstores. The case is currently on appeal.

In Colorado in 1988, HB 1009 was passed and signed into law. This law restricts commercial activities of state agencies and universities. Originally, nonprofits were also included, but but their lobbying efforts were successful in obtaining an exclusion. Complaints against state agencies are heard by an advisory board located in the Office of Regulatory Reform which then reports its findings to the General Assembly, the Governor, and State Auditor. The Colorado Commission on



Higher Education was also mandated to set up a committee to establish standards and guidelines for complaints against the university. The university presidents' offices would hear complaints, and the institutions' governing boards would hear appeals. Both will report annually to the General Assembly and the Governor.

Part of the problem with that bill and those in other states is enforceability and interpretation. The part pertaining to universities established a system seemingly similar to the fox guarding the hen house. The portion related to government agencies was tested last year by a group of private labs complaining about the Colorado State University Lab and the State Department of Health Lab competing with the private sector in water testing. The argument used by the University and Department of Health was: because there was a line item in the budget calling for them to produce a certain amount of revenue from water testing, they were thereby authorized to do such testing, whether or not it competed with the private sector. The private labs lost their argument. However, this year a note was added to the budget bill which stated that "nothing in this legislation is to be construed as authorization to compete with the private sector." That bill will be effective July 1, 1989 and is likely to soon be tested. Of course, such a note would have to be included every year in the budget, or some other statutory change will need to be made to make its intent permanent.

Another bill was introduced in Colorado to privatize the University hospital. Some thought it could sustain itself and thus remove a large burden from the state. That effort failed. A movement to privatize the bus system did not succeed either, although certain routes within the Regional Transportation District were opened to private competition and several private services have entered those markets. It is too early to tell what the outcome may be.

Another bill passed in Colorado in 1988 (SB 40) eliminates the requirement that state agencies purchase goods and services from correctional industries, calls for an economic impact analysis of proposed venture agreements, and provides for competitive bidding. It changed the membership of the correctional industries advisory board to include two members from affected industries in the business community, and also opened additional marketing avenues for prison industries to sell their products to the private sector.

In Iowa in 1988 HF 529 was signed into law prohibiting state agencies and political subdivisions from competing with private enterprise. Numerous exemptions were itemized for activities of universities, school districts, and hospitals. It did not set up a review commission or board, but instead stipulated that persons allegedly injured by such competition could seek relief by filing suit in district court. The law was not all the coalition for fair competition wanted, but they considered it a beginning.

Iowa's HF 2476 passed in 1988 provides administrative procedures to challenge the identification, classification, and exemption of property for taxation purposes. In effect, it created an Unrelated Business Income Tax (UBIT), mirroring the Federal language. Not many people knew it existed for a time, so the effects of this legislation are untested.

In 1988, Missouri passed a bill (SB 209) permitting the Department of Corrections and Human Resources or any city or county to contract with private entities for the operation and management of correctional institutions, including any service necessary or incidental to the operation and management of such institutions.

You can see from this brief overview the broad scope of activities related to government competition with the private sector and efforts to privatize a variety of government services. These battles are hard fought. What is a competition issue in one local is not necessarily an issue in another. The key is staying on top of changing conditions so that, from your perspective, subsidies are not continued long after they are needed to resources that can be provided well by the private sector, and so that legitimate sources of revenue for the state are not hidden in the name of public service.

Key is establishment of a vehicle with clout to monitor activities of government agencies and tax-exempt entities through which complaints

can be heard and evaluated, and which can make recommendations which will be listened to by the Governor and Legislature. Another key is enacting legislation providing for better accountability of tax-exempt or subsidized entities showing income, expenses, and disbursements; quantifying totals of tax-deductible and government contributions; identifying the amounts and sources of all income; disclosing relationships between nonprofits and for-profit subsidiaries (and vice versa), and disclosing the flow of assets and liabilities among the related entities; and including in their disclosures their most recent tax returns.

In 1986 the 900,000 tax-exempt organizations in the Nation took in approximately \$300 billion in revenues. Only 28,000 of these organizations filed tax returns, and only \$53 million was paid in taxes by them. Noone disputes that they should be able to make money. However, unless their revenues are strictly related to their tax-exempt mission, should they not have to pay taxes on those revenues and income producing properties the same as other businesses? They have other advantages aplenty. For government agencies, requiring a small business economic impact analysis for new programs as well as for rules and regulations should help to identify those activities which compete with the private sector, or which could possibly be provided by the private sector. Such analysis should also help to quantify the intended benefits of new programs and be helpful in establishing performance standards for those programs.

SUMMARY

In short, the area of government subsidized competition with private enterprise is a sticky wicket requiring constant vigilance and adaptation. Keys to monitoring this situation are a structured process and established vehicle for appeal of alleged injuries; a well-defined system for accountability of revenues and expenses, assets and liabilities of tax-supported organizations; and a system for measuring the necessity for services provided by government.



KANSAS  
TECHNOLOGY  
ENTERPRISE  
CORPORATION

January 30, 1990

The Honorable David Kerr  
Kansas State Senate  
Statehouse, Room 120-S  
Topeka, KS 66612

Dear Senator Kerr:

To follow up my letter of January 29, KTEC would like to request specific changes in the legislative requirements for the Centers of Excellence program. The following suggested revisions in K.S.A. 74-8106 should enhance the progress of the Centers of Excellence and reduce administrative costs for the program:

<u>Section</u>	<u>Requested Revision</u>
Section (b)(2)	In Line 12, insert "for new centers of excellence" after "all proposals" and before "shall be subject to external peer review...".
Section (c)(2)	In Line 14, insert "for new centers of excellence" after "all proposals" and before "shall be subject to external peer review...".
Section (d)(3)	In Line 2, insert "for new centers of excellence" after "all proposals" and before "shall be subject to external peer review...".
Section (h)	In Lines 2 and 3, delete "and increase funding for existing centers".
Section (i)	In Line 2, insert "annual" after "eligible for" and before "support from the corporation". In Line 5, delete "following" and replace it with "except that" and in Line 8, "should be conducted biennially" should be inserted at the end of the sentence. A second sentence, "In the years between external peer reviews, the corporation shall conduct internal reviews to determine under what provision of this statute and under what terms continuing funding is appropriate", should be added to the end of the section.

Section (i) would then read, "The existing Kansas centers of excellence are eligible for annual support from the corporation according to the same terms and conditions as provided in this act for new centers, except that an

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external peer review to determine under what provision of this statute and by what terms continuing funding is appropriate should be conducted biennially. In the years between external peer reviews, the corporation shall conduct internal reviews to determine under what provision of this statute and by what terms continuing funding is appropriate."

I appreciate your consideration of this request for revision. If you have any questions about the request, please call me.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. G. Brundage", followed by a horizontal line.

William G. Brundage, PhD.  
President