

Approved: 2-7-95
Date

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairman Rochelle Chronister at 3:30 p.m. on January 26, 1995 in Room 519-S of the Capitol.

All members were present except: Representative John Ballou (excused)
Representative Clifford Franklin (excused)

Committee staff present: Ben Barrett, Legislative Research Department
Avis Swartzman, Revisor of Statutes
Lois Thompson, Committee Secretary

Conferees appearing before the committee: Bryan Coover, Galesburg
Bill Triplett, Neosho County
Bob McKinney, Neosho County
J. C. Sanders, Trustee, Neosho County Community College
Randy Tongier, Post Audit
Ted D. Ayres, Director Governmental Relations, Board of Regents

Others attending: See attached list

Hearings opened on **HB 2063 relating to lease-purchase agreements entered into by board of trustees of community colleges.**

Bryan Coover, a concerned citizen from Neosho County, appeared as a proponent of **HB 2063**. Recently Neosho County Community College planned an expansion to an existing campus building to be financed by a 20-year pay-out lease-purchase arrangement. Because KSA 71-201 specifies 10 years to be the maximum lease term, the last 10 years were to be added one year at a time, as the first 10 years were completed. Obligation for the last 10 years could not be written into the contract because of the 10 year limitation. Implied obligation is obvious when the options at the end of the first 10 years are realized; which are, make a balloon payment which the electorate may not approve or surrender the property attached to the college campus. "Supporting the proposed change would also restore an important part of the electorates' ability to provide an effective system of checks and balances." (Attachment 1)

Bill Triplett, Neosho County farmer, appeared as a proponent of **HB 2063**. "As a property owner I have seen the mill levy rise from approximately 20.5 mills in the 1992-1993 school year to around 32.5 mills currently, an increase of 59% in three years, something my income has not come close to matching." He is opposed to the use of COP's which permit short-term board members to place long-term indebtedness on the taxpayers without recourse from those citizens. (Attachment 2)

Robert McKinney, Erie, stated he is representing a large group of Neosho County taxpayers who are in favor of this bill. These taxpayers are not "anti-education." They are fearful of long term lease or lease purchases. If state aid was reduced or catastrophic expenses were incurred, the local tax base could no longer support the school. At this time Neosho County Community College has one such lease purchase in effect and are in the process of entering into two new leases. (Attachment 3)

Appearing in opposition to **HB 2063** was Dr. J.C. Sanders, member of the Board of Trustees, Neosho County Community College, Chanute. "HB 2063 curtails the ability of community college trustees to respond to needs and to manage scarce resources. . ." Community colleges are expected to provide for Kansas citizens with no state assistance. Local property taxpayers and enrolled students through fees support community colleges. In his view, the real issue is not lease purchase agreements, but lack of equity in state funding. Placing additional restrictions on trustees' ability to use lease purchase agreements is not the answer. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION, Room 519-S Statehouse, at 3:30 p.m. on January 26, 1995.

The floor was opened to questions by the committee.

Hearing opened on **HB 2065 relating to rents, boarding fees at Regents' Institutions.**

Randy Tongier, Financial-Compliance Audit Manager, Legislative Division of Post Audit stated as a part of the 1994 audit at State universities a review of dormitory fees was made. They found at Fort Hays, Emporia and Pittsburg State Universities students with the same type of accommodations and meals were charged different dormitory fees based on such things as class standing, previous resident in dormitories, location of high school from which the student graduated and academic performance. Current State law appeared to require universities to charge students in the same dormitory, with the same type of room, the same occupancy and the same meal package, the same dormitory fee. The Board of Regents pointed out these policies at Fort Hays, Emporia and Pittsburg State were the universities' attempt to respond to local housing market situations. Legislative Post Audit introduced **HB 2065** to amend current State Law to provide the flexibility needed by the universities. (Attachment 5)

Ted D. Ayres, General Counsel and Director of Governmental Relations, Kansas Board of Regents spoke in support of **HB 2065**. In his view this legislation is vitally important, financially and programmatically, to allow University residence halls to remain competitive and attractive to students. (Attachment 6)

The floor was opened to questions by the committee.

The meeting adjourned at 4:50 p.m.

The next meeting is scheduled for January 30, 1995.

January 26, 1995

Bryan Coover
Rt. 1 Box 26
Galesburg, Ks. 66740
Phone 316-763-2327

Testimony to the House Education Committee:

I come before you as a concerned citizen from Neosho County. I believe the following reasons support the proposed changes to KSA 71-201.

Prior to the development of financial instruments such as Certificates of Participation, lease-purchases were primarily used to finance equipment and vehicles. Acquisition of land and improvements was done by capital outlay budgets or by municipal bonds. Both capital outlay budgets and bond issues are, by law, subject to protest by the electorate. With the relatively recent development of COPs , the lease-purchase options of acquisition removes the electorates' right to protest major acquisitions.

Lease-purchase payments may be a general fund obligation, therefore the electorate may choose to protest the yearly budget. The circumstances will arise when the voters may decline to pay for what a board of trustees has had the legal ability to obligate. The attached excerpt from Neosho County Community College lease-purchase with the city of Ottawa, which is not located in Neosho County, shows that board's use of that ability.

*House Education
Attachment 1
1-26-95*

Recently Neosho County Community College planned an expansion to existing campus buildings, which would be financed by a 20 year pay-out lease-purchase arrangement. Because KSA 71-201 specifies 10 years to be the maximum lease term, the last 10 years were to be added one year at a time, as the first 10 years were completed. Obligation for the last 10 years could not be written into the contract because of the 10 year limitation. Implied obligation is obvious when the options at the end of the first 10 years are realized; which are, make a balloon payment which the electorate may not approve, or, surrender the property, which in this case, is integrally attached to the college campus. As these options are exceedingly unpalatable, the 20 year duration is secured.

Supporting the proposed change would also restore an important part of the electorates' ability to provide an effective system of checks and balances. At the state and federal level, our democratic system provides for two houses in the legislature, and the executive's veto power to ensure moderation in the financial obligations that are undertaken. At the county level, only the right to protest protects that balance that we believe the law intends. This amendment restores the only system of checks and balances we have at the local level of government. Thankyou for your consideration to this important matter.

Sincerely,

Bryan W. Coover

provided for by law, and having elected to re-enter or take possession of the Facilities without terminating this Sublease, the City shall use reasonable diligence to resublet the Facilities, or parts thereof, for such term or terms and at such rental and upon such other terms and conditions as the City may deem advisable, with the right to make alterations and repairs to the Facilities, and no such re-entry or taking of possession of the Facilities by the City shall be construed as an election on the City's part to terminate this Sublease, and no such re-entry or taking of possession by the Sublessor shall relieve the College of its obligation to pay Rental or the additional rentals at the time or times provided herein or of any of its other obligations under this Sublease, all of which shall survive such re-entry or taking of possession, and the College shall continue to pay the Rental and such additional rentals provided for in this Sublease until the end of the term and whether or not the Facilities shall have been relet, less the net proceeds, if any, of any reletting of the Facilities after deducting all of the City's expenses in or in connection with such reletting, including without limitation all repossession costs, brokerage commissions, legal expenses, expenses of employees, alteration costs and expenses of preparation of the Facilities. Without terminating this Sublease, the City may, by notice to the College given at any time thereafter while the College is in default in the payment of Rental or said additional rentals, or in the performance of any other obligation under this Sublease, elect to terminate this Sublease on a date to be specified in such notice, which date shall be not earlier than Ten (10) days after the giving of such notice, and if all defaults shall not have then been cured, on the date so specified, this Sublease shall thereupon be terminated. If in accordance with any of the foregoing provisions of this paragraph the City shall have the right to elect to re-enter and take possession of the Facilities, the City may enter and expel the College and those claiming through or under the College and remove the property and effects of both or either (forcibly, if necessary) without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or preceding breach of covenant.

24. Survival of Obligations. The College covenants and agrees with the City that its obligations under this Sublease shall survive the cancellation and termination of this Sublease for any cause, and that the College shall continue to pay the Rental and the additional rentals provided for herein and perform all other obligations set forth in this Sublease, all at the time or times specified herein.

25. Performance of College's Obligations. If the College shall fail to keep or perform any of its obligations as provided in this Sublease in respect of (a) maintenance of insurance, (b) prompt payment of taxes and assessments, (c) repairs and maintenance of the Facilities, (d) compliance with legal or insurance requirements, (e) keeping the Facilities

JANUARY 26, 1995

HOUSE EDUCATION COMMITTEE
HON. ROCHELLE CHRONISTER, CHAIRWOMAN

FIRST, I WOULD LIKE TO THANK THE COMMITTEE FOR ALLOWING ME TIME TO TESTIFY IN FAVOR OF HB 2063. MY NAME IS BILL TRIPLETT. I AM A FARMER FROM NEOSHO COUNTY, AND I LIVE JUST SOUTH OF CHANUTE.

I WOULD LIKE TO TALK BRIEFLY ABOUT NEOSHO COUNTY COMMUNITY COLLEGE AND HOW HB 2063 APPLIES. NCCC WAS ESTABLISHED IN THE MID 1960'S. NEOSHO COUNTY RESIDENTS APPROVED A BOND ISSUE TO CONSTRUCT THE NEW CAMPUS LOCATED IN CHANUTE. FROM THAT TIME THE COUNTY TAXPAYERS HAVE SUPPORTED THE COLLEGE BY PAYING FROM JUST UNDER 7 MILLS TO THE CURRENT 32.5 MILLS. THIS ILLUSTRATES BOTH THE COMMITMENT AND SACRIFICE NEEDED TO BUILD AND OPERATE THE COLLEGE.

AS A PROPERTY OWNER I HAVE SEEN THE MILL LEVY RISE FROM APPROXIMATELY 20.5 MILLS IN THE '92-'93 SCHOOL YEAR TO AROUND 32.5 MILLS CURRENTLY, AN INCREASE OF 59% IN THREE YEARS, SOMETHING MY INCOME HAS NOT COME CLOSE TO MATCHING.

NOT LONG AGO THE NCCC BOARD OF TRUSTEES APPROVED A \$3.27 MILLION DOLLAR EXPANSION PROJECT, AND DECIDED TO FUND THE PROJECT USING CERTIFICATES OF PARTICIPATION (COP'S). BY USING COP'S UNDER CURRENT LAW, PUBLIC VOTES CAN BE CIRCUMVENTED BECAUSE THEY ARE NOT SUBJECT TO "PROTEST

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PETITIONS" WHICH IS WHY WE NEED THE CHANGES PROPOSED BY HB 2063.

AFTER NEARLY SIX MONTHS OF COSTLY, TIME CONSUMING EFFORTS THE EXPANSION PROJECT WAS REDUCED IN SIZE BY THE TRUSTEES DUE TO PUBLIC OPPOSITION. CITIZENS PROVIDED INPUT SHOWING LACK OF NEED AND OTHER LESS COSTLY ALTERNATIVES.

AS OF LAST MONDAY AT A SPECIAL MEETING THE BOARD WAS STILL TRYING TO SOFTEN PUBLIC OPPOSITION BY AGAIN REDUCING THE SIZE OF THE PROPOSAL. I AM HERE SIMPLY TO POINT OUT THAT REGARDLESS OF THE METHOD OF FUNDING CHOSEN OR THE SIZE OF THE PROJECT, THE TAXPAYERS OF NEOSHO COUNTY WILL ULTIMATELY BE THE ONES TO PAY THE BILL, AND IT IS ONLY FAIR THAT THESE TYPES OF DECISIONS BY THE BOARD SHOULD BE SUBJECT TO PROTEST PETITION AND SUBSEQUENT VOTE. IN REALITY, IF THIS PROJECT IS SUPPORTED BY THE COMMUNITY, THEN THE BOARD SHOULD HAVE NOTHING TO FEAR, AND SHOULD NOT OBJECT TO THE PROVISIONS OF THIS BILL. AGAIN, ALL I AM ASKING FOR IS THE RIGHT TO VOTE.

APPROVAL OF HB 2063 WOULD BE A STEP IN THE RIGHT DIRECTION, HOWEVER I FEEL AN AMENDMENT MAY BE NEEDED TO IDENTIFY THE PROPER USES OF COP'S. I AM PERSONALLY OPPOSED TO THE USE OF COP'S WHICH PERMIT SHORT-TERM BOARD MEMBERS TO PLACE LONG-TERM INDEBTEDNESS ON THE TAXPAYERS WITHOUT GIVEN THOSE CITIZENS A PROPER RECOURSE.

MY WIFE AND I, AS WELL AS OUR TWO CHILDEN, ARE COLLEGE GRADUATES AND ARE PRO EDUCATION, HOWEVER AS TAXPAYERS WE

OPPOSE SOME OF THE PRESENT USES OF COP'S, AND FEEL THAT IN THIS PARTICULAR CASE IT IS ALSO LEADING US DOWN A COURSE WE CANNOT AFFORD.

ATTACHED TO MY TESTIMONY YOU WILL FIND A COPY OF AN EDITORIAL FROM THE "CHANUTE TRIBUNE" WHICH SUMS THE MATTER UP VERY WELL.

THANK YOU FOR YOUR TIME, AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS.

THE CHANUTE TRIBUNE

Established 1892

Thomas N. Bell, *Editor & Publisher*

Stu Butcher, *Managing Editor*

JoAnne D. Johnson, *Advertising Manager*

Brenda Peck, *Circulation Manager*

Dana Clark, *Composing Room Supervisor*

Vester Reed, *Pressroom Supervisor*

Bruce Royse, *Business Manager*

Voters need input

A group of Neosho County residents is trying to stop Neosho County Community College from financing a \$3.27 million expansion without voter approval.

It won't be easy, since state law allows community colleges to use financing mechanisms that cannot be challenged by either a citizen petition or a public vote.

This is a particularly sensitive issue, since the NCCC Board of Trustees recently approved a budget that called for a 30 percent increase in the college mill levy. An eight-mill increase was approved, of which two mills will go towards financing part of the expansion project.

Any public agency, not just community colleges, needs to be prepared to convince taxpayers that they are spending their money wisely. That means educating the public on where their money will be going, and describing what kind of return voters will be getting for their investment in higher education.

The ultimate test of the agency's effectiveness at communicating these plans should be a public vote on major issues of indebtedness. Anything less is unfair to residents who are paying the agency's bills, and will be rightly viewed as an attempt to circumvent the public's wishes.

This basic premise is not limited to community colleges — it should be public policy followed

by any public entity with taxing authority.

We see that in practice now with Chanutte USD-413. Members of the school board are trying to convince the public to approve a \$2.5 million bond issue at the polls this November. They are going to great lengths to invite public comment and explain the benefits of issuing bonds to finance school improvements.

But that practice does not have to be followed by NCCC. They are in the process of issuing "certificates of participation" without public approval.

We don't blame the NCCC board of trustees for making investments in our community college. We recognize board members are simply doing what they believe is best for the institution.

But we are against any attempt to fund projects worth millions of dollars in public money from county residents without voter approval. That is simply bad practice, and bad public policy.

In light of this public outcry, NCCC trustees should reconsider seeking these "certificates of participation," and allow Neosho County residents to have final approval over any major expansion plans.

Additionally, the Kansas Legislature should change any statutes that allow these types of funding mechanisms to exist.

— Tom Bell

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MADAM CHAIRMAN AND COMMITTEE MEMBERS:

MY NAME IS ROBERT MCKINNEY AND I AM HERE REPRESENTING A LARGE GROUP OF NEOSHO COUNTY TAXPAYERS. LET ME FIRST EXPLAIN THAT THIS GROUP IS NOT ANTI-EDUCATION. WE ARE ALL CONCERNED FOR THE QUALITY OF EDUCATION FOR OUR CHILDREN.

WE FEEL THAT THE CHANGES PROPOSED IN HOUSE BILL #2063 ARE A VERY IMPORTANT STEP IN THE RIGHT DIRECTION, BUT WE FEEL EVEN MORE DEFINITION AND RESTRICTIONS ARE NEEDED. THESE CHANGES DEAL WITH LEASE AND LEASE PURCHASES. AS WE SEE IT, THE INTENT OF THE LAW WAS TO ALLOW COMMUNITY COLLEGES TO LEASE OR LEASE PURCHASE COMPUTERS AND OTHER SUCH EQUIPMENT. WE DON'T FEEL IT WAS INTENDED FOR THE CONSTRUCTION OF NEW FACILITIES AND EXPANSION PROJECTS. WE FEEL THERE NEED TO BE RESTRICTIONS ON THE AMOUNT OF LEASE PURCHASES AND THE NUMBER OF LEASE PURCHASES IN EFFECT AT ONE TIME. AT PRESENT, COMMUNITY COLLEGES HAVE NO LIMITATION. EVEN IF THEY WERE BOUND BY K.S.A. 10-1116a AND K.S.A. 10-1116b, ALL THEY HAVE TO DO IS BREAK DOWN THE PROJECT INTO SMALLER MULTIPLE LEASE AGREEMENTS, THEREBY SIDESTEPPING THE LAW AND BYPASSING THE VOTERS. AGAIN, WE ARE NO ANTI-EDUCATION, BUT WE FEEL THERE SHOULD BE ACCOUNTABILITY TO THE TAXPAYERS, AND THE RIGHT TO EXERCISE A PROTEST PETITION.

OUR FEAR IS WITH THESE LONG TERM LEASE OR LEASE PURCHASES. THE COMMUNITY COLLEGE COULD FIND ITSELF IN SUCH

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A FINANCIAL BIND THAT IF THERE WERE REDUCTIONS IN STATE AID OR CATASTROPHIC EXPENSES, THE LOCAL TAX BASE COULD NO LONGER SUPPORT THE SCHOOL. WE DON'T WANT THIS TO HAPPEN TO OUR COMMUNITY COLLEGE OR ANY OTHER COMMUNITY COLLEGE. AT THIS TIME, NCCC HAS ONE SUCH LEASE PURCHASE IN EFFECT AND THEY ARE IN THE PROCESS OF ENTERING INTO TWO NEW LEASES. I REALIZE YOUR EFFORTS WILL NOT AFFECT THIS PARTICULAR PROBLEM. OTHER COMMUNITY COLLEGES HAVE ENTERED INTO THE SAME TYPE OF LEASE AGREEMENTS. THIS IS NOT AN ISOLATED PROBLEM. I HAVE INFORMATION ON A COUPLE OF THESE INSTANCES AND WILL GLADLY PROVIDE THAT TO YOU. AGAIN, I AM NOT HERE TO BURN BRIDGES OR SCHOOLS, ONLY TO TRY AND PROTECT WHAT WE HAVE AND PROTECT THE TAXPAYERS AT THE SAME TIME.

COFFEYVILLE COMMUNITY COLLEGE ISSUED \$3,475,000.00 IN CERTIFICATES OF PARTICIPATION IN MARCH, 1994.

IN FINNEY COUNTY, ON OCTOBER 20, 1981, THE VOTERS VOTED DOWN A BOND ISSUE 2196 TO 920 FOR GARDEN CITY COMMUNITY COLLEGE. IN DECEMBER, 1984, GARDEN CITY COMMUNITY COLLEGE ENTERED INTO A LEASE PURCHASE WITH A TEN YEAR LEASE WITH AN AUTOMATIC RENEWAL EACH YEAR FOR TEN YEARS, CREATING BASICALLY A TWENTY YEAR LEASE.

AUGUST 2, 1994, GARDEN CITY COMMUNITY COLLEGE PROPOSED A ONE MILL TAX LEVY AND IT FAILED. IN SEPTEMBER, 1994, THEY VOTED TO USE LEASE PURCHASE AGREEMENTS TO CONSTRUCT A \$1,735,000.00 ADDITION.

ON SEPTEMBER 1, 1990, NEOSHO COUNTY COMMUNITY COLLEGE

ENTERED INTO A LEASE WITH THE CITY OF OTTAWA. PURSUANT TO K.S.A. 71-201(d) A COMMUNITY COLLEGE CANNOT OWN OR ACQUIRE PROPERTY OUTSIDE THE DISTRICT. AT THE END OF THE TEN YEAR LEASE NCCC CAN PAY \$100.00 AND OWN THE PROPERTY IF LAWFUL AT THAT TIME.

AS OF JANUARY 23, 1995, NCCC HAS PROPOSED TWO MORE LEASE PURCHASES AND ONE BOND ISSUE. ONE OF THE LEASE AGREEMENTS WOULD ROLL THE 1990 LEASE INTO A NEW LEASE SO NCCC WON'T HAVE TO FACE THE END OF THE OLD LEASE.

Robert McKinney

Eric Ho

316-431-7258

Coffeyville Community College

ELEVENTH AND WILLOW

COFFEYVILLE, KANSAS 67337



January 25, 1995

Dear Mr. McKinney,

Coffeyville Community College has Issued a Certificate of Participation in the amount of \$3,475,000 for the purpose of refunding Student Union Revenue Bonds, Acquisition of Real Property and remodeling, Construction of a multipurpose building and music classrooms.

Certificates were issued March 1994. Debt service is paid by student fees.

Sincerely,

Brad Buckner
CCC Trustee

"Site Lease" means that separate lease by which the Lessee hereunder (lessor thereunder) leases the Site to the Lessor hereunder (lessee thereunder) for purposes of construction of the Facility.

"Termination Date" means November 30, 1994, or such other date as is ten (10) years subsequent to that automatic renewal provided in Section 3 hereof.

"Trustee" means the trustee appointed under and defined by the Assignment and Trust Agreement and any successor appointed as therein provided.

Section 2. Demised Premises, Ownership. Pursuant to the Site Lease the Lessee (as lessor under the Site Lease) has leased the Site to Lessor (as lessee under the Site Lease) for a term of 10 years which may be annually, automatically renewed in a similar manner as that provided in Section 3 hereof. The Lessor hereby leases the Project (the Site and the Facility) to the Lessee, subject to the terms and conditions of this Lease.

Section 3. Lease Term; Transfer of Title.

(a) The Original Term of this Lease shall commence on the Commencement Date and end on November 30, 1994. However, the Lease shall annually, automatically be renewed for a period of ten (10) years from the then current Anniversary Date, unless the Board shall give written notice to the Lessor at least 60 days prior to that Anniversary Date of its intention not to renew.

It is the express intent of the parties that this provision be construed to mean that at the end of the 1st rental year, November 30, 1985, (unless the Board decides not to renew) that the period of renewal will be for a new ten (10) year period beginning December 1, 1985 and ending November 30, 1995; that at the end of the 2nd rental year, November 30, 1986, the period of renewal shall be for a new ten (10) year period beginning December 1, 1986 and ending November 30, 1996, etc. In no event shall the lease term be for more than ten (10) years from the then current Anniversary Date and such Lease may be renewed for a maximum of ten (10) renewals. The last annual automatic renewal Anniversary Date will be December 1, 1994.

(b) The Lease Term will terminate upon the earliest of any of the following events:

i. the expiration of the Original Term including any Renewal Term of this Lease;

ii. the exercise by the Lessee of the option to purchase the Facility granted under the provisions of Section 24 of this Lease;

iii. a default by Lessee and Lessor's election to terminate this Lease under Section 18 hereof; or

Dec
1984

College arranges project's financing

By ALESA MESCHBERGER
Staff Writer

Garden City Community College trustees decided to join in a lease-purchase agreement with Western State Bank yesterday to help finance an addition to the John Collins Building.

The board also signed a final contract with D&D Builders to construct the addition.

Action was taken during a luncheon meeting at the Administration Building on campus.

Project cost of the addition was \$1,442,000, down from the original bid of \$1,735,000. Trustees initially decided to dedicate \$1.3 million of capital outlay and capital reserve funds to the building project.

Bids coming in above the allotted \$1.3 million were attributed to the busy construction climate in Garden City and the specialized nature of the ammonia refrigeration program.

Trustees asked Dennis Smith of D&D builders and Joe Vander-

weide of Architecture Plus to review the project and cut the cost of construction. Trustees decided to finance the addition, partially through a lease-purchase agreement.

Lawrence Mahoney, dean of administrative services, told the board he had contacted local lending institutions as well as some out-of-town institutions about the lease-purchase plan.

Western State Bank offered an interest rate of 5.9 percent as well as other benefits.

"They agreed to only charge us for the money when we need to get into it," Mahoney said. "Primarily, we usually get it all up front and then must invest it."

If bonds would have been issued, the college would have had to pay interest immediately on the money received.

Board attorney Ward Loyd told trustees final details of the agreement between Western State Bank and GCCC will be worked out soon.

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Court strikes down

College to pursue Collins project

By ALESA MESCHBERGER
Staff Writer

The price tag for an addition to Garden City Community College's John Collins building went up last night.

But trustees decided to go ahead with the \$1,442,000 project. Trustees voted 3-2 vote to approve construction of the building after hearing from Dennis Smith of D&D Builders.

Trustees Lon Pishny and Ed Ulter opposed the decision. Mary Beth Williams, Dan Baffa and John Nanninga voted for it.

D&D Builders will construct a 1,000 square foot pre-engineered steel building for \$1,442,000, Smith

said. Total cost of the project will reach \$1,598,062, including architectural fees and some materials to be installed by the college.

"Because the board did vote in favor of it," Pishny said, "I am certainly supportive of going on ... the concerns I raised during the meeting were tied more to financing than anything."

Initially trustees approved only \$1.3 million from capital outlay and general fund reserves to finance the project. Last month the lowest bid came in at \$1,735,000 from D&D Builders.

Trustees asked D&D to try to decrease costs by considering a steel structure rather than masonry work. They also eliminated a

tunnel connecting the building to central air and a hot water system in the John Collins Vocational Building.

Trustee Williams said she voted for the project because it will help solve space problems on campus.

"I just think we are so cramped for space out there, and we have looked at so many alternatives," Williams said. "Anybody who has toured out there has seen how crowded we are for space."

The college plans to use capital outlay and general fund reserves to pay for the project through a lease-purchase program.

GCCC asked voters Aug. 2 for a one-mill property tax increase to pay for the project. It failed by 270

votes.

"I am still in favor of the technical education ... my concerns were centered more on the financial issues of this particular project," Pishny said.

Trustees will consider a final contract with D&D in their noon Dec. 21 meeting.

The addition will be located north of the John Collins building where technical programs are based. It will include four classrooms and two labs. Building the structure provides room for the growing John Deere Ag-Tech program and allows the Industrial Production Technology Program to add ammonia refrigeration training.

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NCCC expansion costs

All figures are estimates.

Rowland building

Classroom renovations	\$196,476	
Nursing renovations	\$210,000	
Heating & air conditioning	\$178,500	Lease financing
Equipment & furnishings	\$105,000	9 years @ 6.5%
Architect's fees	\$48,298	\$247,538 interest
Financing costs	\$14,726	
Total	\$753,000	<i>Annual Pmt 111,171.80</i>

Student union

Addition, renovation, equipment & furnishings, and architect's fees	\$807,500	Bond financing
Financing, reserve costs	\$142,500	22 years @ 7.75%
Total	\$950,000	\$1,058,524 interest

Ottawa building

Addition, patio	\$189,800	Lease financing
Equipment & furnishings	\$61,290	7 years @ 6.5%
Financing costs	\$15,010	\$297,887 interest
Total	\$266,100	<i>Annual Pmt 91,297.00</i>
Debt on Ottawa building	\$494,900	<i>Annual Pmt 136,182.00</i>
TOTAL	\$2,464,000	

HOUSE EDUCATION COMMITTEE

January 26, 1995

Testimony by Dr. J. C. Sanders, Member

Board of Trustees, Neosho County Community College, Chanute

HB 2063 curtails the ability of community college trustees to respond to needs and to manage scarce resources so that each dollar spent obtains the greatest value. Locally elected boards of trustees are charged by statute with the management and control of each community college. This management responsibility includes the providing of facilities and equipment for all college programs in the most efficient and cost effective way.

In reality community colleges are expected to provide for Kansas citizens with no state assistance for capital expenditures. Local property taxpayers and enrolled students through fee assessments must pay the tab for such expenditures.

Community colleges have been and must be responsive to local and service area training needs. Lag time must be kept at a minimum between defining needs and actual implementation of programs to meet those needs. Lease purchase agreements make it possible for boards of trustees to provide equipment and facilities in the shortest possible time frame. Delays either cripple or cause programs to fail.

In proposing and adopting the budget, boards of trustees may not exceed the aggregate levy limitation (tax lid). This provision of Kansas law assures local taxpayers that defined limits exist on the amount of tax dollars which can be raised. Our community college has a levy which is 5 mills below the maximum allowed.

*House Education
Attachment 4
1-26-95*

The following background information is presented to summarize events leading up to the introduction of HB 2063 by Representative Reinhardt. Our board of trustees looked to find the most cost effective way to provide for three identified needs: (1) Ottawa campus expansion, (2) student union expansion, and (3) additional facilities to upgrade technical programs on the Chanute campus.

Additional space in Ottawa can be provided only through a lease agreement. By statute, community colleges cannot acquire ownership of real property outside the college district.

The expectation of the board is that student union expansion to meet the needs of currently enrolled and future students will be financed from revenues generated from student sources. Revenue bonds carry a higher interest rate; therefore, the board looked for ways to curtail interest costs.

Technical programs require that the Rowland Technical Building undergo changes to meet present and anticipated program requirements. A lease purchase agreement seemed in the board's view to be most efficient and cost effective way to go.

After careful study the board proposed to combine all three projects and apply the revenue currently in place for the current Ottawa lease, student generated revenues, and 2 mills from general fund monies to fund a lease purchase agreement. In adopting its FY 1995 budget, the board of trustees earmarked the 2 mills which would be dedicated to the lease purchase for vocational programming on campus. This was made clear in July budget discussions and at the August budget hearing.

HB 2063 will result in higher costs for providing facilities and equipment and in further erosion in the ability of locally elected boards to do the job for which they are elected. Ironically, this bill will not provide relief to taxpayers. Costs will be higher when boards of trustees must choose more expensive means of financing improvements.

Perhaps HB 2063 was introduced to placate taxpayers who want to limit the mission of the community college to that of serving only the college district. Should that occur, Kansas will be the loser. The Kansas system of community colleges has been a major player in the training and retraining of the workforce in Kansas. The economic development of this state is indebted to its community colleges for their major contribution which has benefited all areas of the state.

In my view, the real issue is not lease purchase agreements but rather the lack of equity in state funding. State funding per credit hour is at a rate which is lower than that of five years ago. That rate has been unchanged at \$27.72 for the past three years. Taxpayers through increased levies and students through increased tuition have been responsible for funding budget increases.

Placing an additional restriction on boards of trustees ability to use lease purchase agreements is not the answer. I hope that you will concur with my view and seek to address the broader question of equitable and adequate funding for the community colleges of this state.

**UNIFORMITY OF DORMITORY FEES
(House Bill 2065)**

**Presentation to the House Education Committee
January 26, 1995**

Randy Tongier, Financial-Compliance Audit Manager
Legislative Division of Post Audit

During fiscal year 1994, the Legislative Division of Post Audit conducted audit work at the State universities. As part of that work, we reviewed dormitory fees charged.

Current State law seemed to us to require the universities to charge students in the same dormitory, with the same type of room, the same occupancy, and the same meal package, the same dormitory fee. We found at Fort Hays, Emporia, and Pittsburg State Universities that this was not the case. Students with the same type of accommodations and meals were charged different dormitory fees based on such things as:

- ◇ Class standing (freshman, sophomore, etc.)
- ◇ Previous residence in dormitories (previous residents charged less)
- ◇ Location of the high school from which the student graduated
- ◇ Academic performance

In responding to our finding, the Board of Regents pointed out that these policies were the universities' attempt to respond to local housing market situations, and that our interpretation of State law would limit the universities' flexibility to respond to those market situations.

In its discussion of this finding, the Legislative Post Audit Committee was supportive of the Board's position, and introduced legislation that would amend current State law to provide the flexibility needed by the universities.

*House Education
Attachment 5
1-26-95*

The Testimony of

Ted D. Ayres
General Counsel and
Director of Governmental Relations
Kansas Board of Regents

before
HOUSE COMMITTEE ON EDUCATION
1995 Legislative Session

in re
H.B. 2065

3:30 pm.
January 26, 1995
Room 519-S
Kansas Statehouse

*House Education
Attachment 6
1-26-95*

Chairperson Chronister, Members of the Education Committee:

My name is Ted D. Ayres and I am General Counsel and Director of Governmental Relations for the Kansas Board of Regents. I am here this afternoon representing the Board of Regents. I am here to speak in support of House Bill 2065, as introduced by the Legislative Educational Planning Committee (LEPC). This legislation is a specific legislative initiative approved by the Board of Regents for 1995.

In April of last year, the Legislative Division of Post Audit completed a compliance and control audit report on Emporia State University (for Fiscal Year 1993). As a part of that report, the Post Audit Division questioned the University's compliance with state law, i.e. K.S.A. 76-6a05 and K.S.A. 76-761. The auditors commented:

In testing dormitory fees, we found that Emporia State University has established an incentive to encourage students to reside in its dormitories. That incentive provides a reduced fee for students who previously have resided in a University dormitory. The reduction ranges from \$125 to \$500 a year, depending on the circumstances. This type of reductions in fees does not seem to be in accordance with the requirements of State law.

The Board's Executive Director and I met with the Legislative Post Audit Committee on or about April 19, 1994. We discussed the audit concerns and explained the rationale for the University practices. It was certainly my sense that, at that time, there was not disagreement with the practices per se; the concern was with the practices in light of the perceived statutory limitations. We were advised to work with Jim Wilson of the Revisor's Office to seek a suitable compromise/remedy.

Mr. Wilson, Ms. Hinton and I reviewed several alternatives. It was our conclusion that removal of the language, as provided for in House Bill 2065, would be the most favorable means of rectification. I recommend the legislation to you favorably.

From the perspective of institutional management flexibilities, I commend this legislation to you; in my view it is vitally important, financially and programmatically, that our University residence halls remain competitively viable and attractive to students. In my opinion, Board judgment, parental pressure, competitive factors, student activism and other existing laws against discriminatory treatment should provide sufficient protection against unfair/outlandish/inappropriate behaviors by the Institutions and Board in this regard.

Thank you for your attention and consideration of my testimony. I would now stand for questions.