

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Ralph Tanner at 9:00 a.m. on March 16, 1999 in Room 313-S of the Capitol.

All members were present except:

Representative Cindy Empson - Excused

Committee staff present:

Ben Barrett, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Avis Swartzman, Revisor of Statutes
Renaë Jefferies, Revisor of Statutes
Connie Burns, Committee Secretary

Conferees appearing before the committee:

Bill Docking, Chairman, Kansas Board of Regents
Dr. Jim Coffman, Provost, Kansas State University
Joe Lieber, Kansas Cooperative Council
Ron Harper, Chairman and CEO MPSI Systems, Inc., Tulsa, Oklahoma
Joe Norton, Wichita State University, Alumnus

Others attending: See attached list

The hearing on **HB 2476 - Kansas partnership for faculty of distinction program, state educational institution** were opened.

Bill Docking, Chairman, Kansas Board of Regents appeared before the committee in favor of the bill. He stated that the bill establishes the Kansas Partnership for Faculty Distinction Program to encourage gifts by private donors to enhance the ability of the Regents institutions to recruit faculty of distinction. The program would be administered by the Board of Regents. (Attachment 1)

Jim Coffman, Provost at Kansas State University, appeared before the committee in support of the bill. He described briefly how this program will leverage the resources of the Regents universities by ensuring the acquisition and retention of key faculty who are extraordinarily productive and serves as leaders and exemplars. (Attachment 2)

Joe Lieber, Kansas Cooperative Council, appeared before the committee in support of the bill. He stated that in 1984 an endowment fund was established at Kansas State University to create, support and operate a Center of Excellence in cooperative education. It is called the Arthur Capper Cooperative Center. If Kansas wants to strengthen their academic programs at the University level and be able to compete, Kansas needs the provisions of **HB 2476**. (Attachment 3)

Ron Harper, Tulsa, Oklahoma, appeared before the committee as a proponent of the bill. He stated he is a graduate of and currently serves on the Board of Advisor's for the Business School at the University of Kansas. He strongly believes in competition and feels that Kansas needs a program like HB 2476 to entice individuals like himself to contribute initially to endow professorships or to make further contribution in areas that interest them. (Attachment 4)

Joe Norton, Wichita State University Alumnus, appeared before the committee in support of the bill. He stated that they endorsed gift matching program and endorse the concept.

Hearing were closed on **HB 2476**.

Representative Hermes made a motion for an amendment to **HB 2476** that Washburn University be included at the same rate as Wichita State University. Representative Helgerson seconded the motion. Representative Hermes requested a substitution on the dollar amount to \$200,000. Representative Helgerson withdraws his second, and Representative Crow seconded the substitute motion. The motion failed.

Representative Mason made a motion to amend **HB 2476** by striking section (D) page 3. Representative Peterson seconded the motion. The motion failed.

Representative Helgerson made a motion to report **HB 2476** favorably for passage. Representative Lightner seconded the motion. The motion carried. Representative Ballou recorded as voting no.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION, Room 313-S Statehouse, at 9:00 a.m. on March 16, 1999.

Representative Helgerson made a motion to defer action on the three special education bills until a future time. Representative Bethell seconded the motion. The motion carried.

Representative Horst made a motion to defer action on the topic of school district finance, local option budgets, retailers' sales tax, and income tax. Representative Ballou seconded the motion. The motion carried.

Representative Flaharty made a motion to defer action on the topic of school district finance, transportation weighting. Representative Helgerson seconded the motion. The motion carried.

The meeting was adjourned at 10:50 a.m.

The next meeting is scheduled for March 18, 1999.

HOUSE EDUCATION COMMITTEE

GUEST LIST

DATE: March 16, 1999

NAME	REPRESENTING
Jim Allen	KEC = KFLC
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Cathy Dwyer	Dir of Budget
Mary R George	USD 233
Mark DeBetti	KNEY
Jim Youally	USD #572
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HOUSE EDUCATION COMMITTEE

TESTIMONY ON HOUSE BILL 2476

**Presented by
Bill Docking, Chairman
Kansas Board of Regents**

March 16, 1999

My name is Bill Docking from Arkansas City, and I am Chairman of the Kansas Board of Regents. I want to thank you, Mr. Chairman, for scheduling the hearing on this bill, HB 2476, which would establish the Kansas Partnership for Faculty of Distinction Program. I appear today to express our strong support for HB 2476 and to ask for your favorable consideration thereof.

I would like to begin by very briefly outlining the provisions of the bill:

- The bill establishes the Kansas Partnership for Faculty Distinction Program to encourage gifts by private donors to enhance the ability of the Regents institutions to recruit faculty of distinction.
- The program would be administered by the Board of Regents.
- The state would contribute income earnings equivalent awards to supplement endowed professorships at Regents institutions for which qualifying gifts have been received.

- The institution would commit from its operating budget to provide a full-time faculty position and salary for the endowed professorship.
- The earnings equivalent from the private gift would be used to supplement salary and/or support costs.
- The state's income equivalent award would be based on the state's idle funds investment rate.
- Minimum amounts of qualifying gifts would be \$200,000 for FHSU, PSU and ESU; \$350,000 for WSU; and \$500,000 for KU and KSU. The value of qualifying gifts eligible for match annually could not exceed \$30 million in total and \$10 million for a single institution.

The quality of Kansas institutions is a direct reflection of the quality of the faculty which our institutions are able to recruit and retain. To that end, the Board of Regents is concerned about a number of issues affecting recruitment and retention of high quality faculty. No doubt, you have heard of the high priority which the Board has placed on the issue of faculty compensation this year.

Our universities must depend upon state appropriations to provide the foundation of their budgets. As you know, we regularly provide the legislature information regarding how we compare to other institutions in this regard. And we continue to be concerned that we lag behind, and we will continue to visit with you about this issue.

But it is also probably unreasonable for us to expect total state support to finance the level of quality which we endeavor to achieve and maintain. For this, we must depend on the generosity of individuals who have strong allegiances to an institution. In addition, there are businesses who look for opportunities to encourage a particular area of study or research. Many times, these sources do not have a particular allegiance to an institution or even a state.

Through this private giving, our institutions are sometimes able to provide an extra increment of funding which allows for creation of a distinguished chair in an area of interest to the donor. Although these situations are not frequent, these public-private partnerships have the ability to fund the extra increment of salary which can make a faculty position competitive to attract national and international-class scholars and researchers.

And quite frankly, Kansas is not keeping up with its competition. Many other states have enacted programs which leverage these private resources and as a result have stimulated private giving and the creation of endowed and distinguished chairs.

We have to look no further than our neighbors. In Missouri, a program started in 1995 has resulted in the supplementing of over 50 faculty positions. The State of Oklahoma for a decade has had a program matching dollar for dollar private giving for endowed chairs, distinguished professorships and artists-in-residence, improving over 200 positions.

The proposal you see in HB 2476 is a modest one, and it only commits the state to match the income produced by a private donation. For instance, if we would have the good fortune to find an individual desirous of donating a million dollars in support of a position, the state would commit to match the income produced by that million dollars. Assuming pooled money investment board investments are yielding five percent, the fiscal impact to the state would be \$50,000 annually. As I mentioned earlier, there are thresholds and caps included in the proposal.

What is the cost of the proposal? I believe you have a fiscal note prepared by the Division of the Budget. But, I would suggest another question: What is the cost of not enacting HB 2476? Place yourself in the shoes of a potential donor. If you had an interest in say, plastics engineering, and you wanted to create or supplement an endowed chair in certain aspects of this field of study, and that this is your primary motive, do you give your money to a Kansas Regents institution? Or do you give it to another state, where quite frankly, you can get more "bang" for your buck?

HB 2476

House Education Committee

March 16, 1999

My name is Jim Coffman. I am the Provost at Kansas State University, and am testifying today in support of HB 2476, which would establish the Faculty of Distinction Program.

I will describe briefly how this program will leverage the resources of the Regents universities by ensuring the acquisition and retention of key faculty who are extraordinarily productive and serve as leaders and exemplars.

Universities have one product: the talent of the faculty. Everything else the university has and does is in support and facilitation of the optimal deployment of this resource in teaching, research, and various aspects of service. To the extent that faculty talent is high quality and adequately supported, the university will resonate in the interest of taxpayers and tuition payers.

In acquiring faculty, the university incurs major cost beyond the salary. In the physical and biological sciences, start up costs in research universities routinely run in the \$200,000 to \$400,000 range. In other disciplines, and in universities of all categories, the initial cash outlay is not so great, but by the time the probationary period of a tenure-track faculty member is concluded, a major investment still has been incurred, as the individual becomes an integral part of an academic program. Now, more than ever, departments function as a team, or integrated unit; so, losing one individual impacts the entire unit adversely, especially if the person is outstanding and beginning to achieve a leadership role among her or his peers. Much goes into retaining people once they reach that level, but the most important is salary.

Within this context, I will address the need for special salary supplements as a component of a nationally competitive salary structure.

First, is the outstanding individual who has recently succeeded in acquiring tenure and been promoted from assistant to associate professor. Within this group, individuals frequently emerge who are beginning to attract national attention. Now put yourself in the shoes of another university, wanting to build a department in a given field. Where will you look for talent, especially young talent? Common sense predicts reality in this instance. You, like our competitors, would look for rising stars in universities with low salaries. Within minutes you would be looking for recognizable names on the rosters of universities in Kansas, Oklahoma, Mississippi and North and South Dakota. Simple arithmetic would lead you to this conclusion. Among the most vulnerable in this market are scientists who, after requiring several hundred thousand dollars of start up money in the beginning, now are bringing in several hundred thousand dollars per year in grants and doing a terrific job in the class room with both undergraduate and graduate students. The same effect prevails whether the person is engaged in research or not, although the cost of replacement and start up is less. If a faculty member who is recruited away is doing research in the sciences and is funded, the grants go also. Now consider what the Kansas university who just lost this rising star must do: recruit a replacement, with little or no experience, who will have to start from scratch in finding his or her niche. In the sciences at the research universities, a new start up package will have to be expended all over again. The economics are ludicrous. It is far cheaper to mount a competitive salary in the first place. Since this is the most common problem area, I will make one more very pragmatic point about it. Kansas universities do put additional merit salary increase on these outstanding individuals. There are limits, though, to the extent to which that can be carried because of equity considerations. This is exacerbated by the already low salary base of ten to twelve percent below peers. However, those same equity issues do not apply when a competitive, merit based approach is taken to the placement of privately endowed salary supplements.

A second circumstance is the full professor who has become a national figure, be it in teaching or research or both. In the sciences, he or she has attracted on-going major research funds, top graduate students, one or two post docs, and may serve on funding agency review boards. To move this person is very expensive, but the pay off can be very large also. It can be good strategy to do this in specific situations. However, to be a net loser in these transactions can devastate a program in a hurry. As such individuals reach this level of their career, it is in everyone's best interest to keep them off the market. Salary is a major factor in doing so. It is such individuals as these who now hold Regents Professorships, University Distinguished Professorships and so forth, at Kansas universities. The goal of this program is to increase their number through retention, and to some extent recruitment, thereby making Kansas universities more competitive both in the short and long term.

The third instance I will describe is not about retention, but recruitment. All too often, because of the non-competitive base salary structure, Kansas universities hire new assistant professors and go through the process described above. There are occasions when senior people are brought in, but they are all too rare. Consider this strategy. If a proven associate professor is brought in with substantial grants, graduate students and post docs already in hand, start up cost still will be considerable -- maybe even larger than for a new assistant professor. However, the payoff is immediate, in the classroom as well as in research, and the net gain is far greater in the long run. Having said that, one can only distort the salary structure so far when bringing in such people, especially given the fact that associate professor and full professor salaries are the least competitive to start with. However, topping off such salaries in a decisive way with privately endowed funds does not distort the overall state funded salary structure, but it does make us competitive in the national market in filling a specific position.

Obviously, the program which HB2476 would inaugurate will create a major incentive for increased private giving, specifically for named professorships. In closing, I want to emphasize the extent to which the state investment in this program would be leveraged.

First, the money itself is doubled by way of the match with privately endowed funds. Second, the combined funds are leveraged enormously by way of the effectiveness of the individuals retained or hired and the effect they have on the university. It must be kept in mind that the leading edge of any progressive university is created by a relatively small number of faculty. The big, essential middle of the institution follows in their wake. Without such people of extraordinary caliber, in substantial number, any university will go fallow. Third, tax money invested in universities is just that -- an investment. Consider, even in the most conservative terms, the economic impact of Kansas' universities compared to the tax dollar investment in them, then realize how much those inputs are enhanced by the kind of leveraged investment contemplated in HB 2476. There is a direct connection between the social and economic impact of universities and the number of extraordinary faculty they include within their ranks. This program will increase that number.

Thank you for your time and consideration.

Testimony on HB 2476
House Education Committee
March 16, 1999
Prepared by Joe Lieber
Kansas Cooperative Council

Mr. Chairman and members of the committee, I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of over 200 cooperative businesses, who have a combined membership of nearly 200,000 Kansans. The Council supports HB 2476.

In 1984, an endowment fund was established at Kansas State University to create, support and operate a Center of Excellence in cooperative education. The Center was named after a former Senator from Kansas, Arthur Capper. It is called the Arthur Capper Cooperative Center.

The endowment fund is held by the Kansas State University Foundation and is managed in accordance with the Memorandum of Financial Agreement between the Foundation, the Kansas Cooperative Council and the Department of Agricultural Economics at K-State. The interest off the endowment supports the Arthur Capper Cooperative Center. The Kansas Cooperative Council is responsible for fund raising.

Our goal was to raise one million dollars from cooperatives and individuals.

As of February 2, 1999, the cash contributions now stand at \$675,753.20 and the remaining unpaid pledges of \$253,950, suggests that if all current pledges are paid, the total contribution will be \$929,703.20.

Once the Center started receiving interest, it began operation. The projected net income from the endowment for fiscal year 1998-99 is \$47,402. The four key components of the Center's education programs are:

Student Education

- Scholarships
- Internships
- Education work assignments
- Field trips
- Cooperative lecture series
- Course materials

Annual symposium

High priority cooperative issues for directors and managers on topics such as:

- Equity Management
- Cooperative Restructuring
- Strategies for Profitability

Annual CEO Roundtable

- As a joint venture with CoBank, the Roundtable focuses on the following:
- Developing leadership skills
- Developing management strategies dealing with cooperative issues in the next century

Research & Projects

Critical issues are researched and seminars are conducted on topics such as:

- Cooperative finance
- Equity management
- Business development
- Leadership performance and compensation

The Center also houses a library that has a collection of hundreds of books, pamphlets, films, videos and papers dealing with cooperatives.

Even though we have collected a good percentage of our funds, we believe if we had HB2476 when we started, we would have reached our goal of one million dollars several years ago.

The reason we believe this is that the Oklahoma cooperatives started a program just a few years ago and has already received contributions of over one million dollars. Much of that can be contributed to the fact that the dollars given were matched by the state. Missouri also has a matching fund program. If Kansas wants to strengthen their academic programs at the University level and be able to compete, Kansas needs the

provisions of HB2476. Even though, as it is currently written, the Arthur Capper Cooperative Center would not greatly benefit from HB 2476, we support it because it may help others.

I have enclosed with my testimony a summary of the Center's Education programs (yellow paper). The Center's 1998 Advisory Council is on the back. The green sheet is an update of the donors as of 1998 with the individual honor roll on the back. I have also included a copy of the Oklahoma State Regent's Endowment Trust Fund.

Again, we ask you to support HB 2476. Thank you for your time. I would be happy to answer questions.

Arthur Capper Cooperative Center Educational Program Information: Accomplishments and Plans

Cooperatives, their members and their friends should be pleased with the past accomplishments of the Arthur Capper Cooperative Center and encouraged by the plans for the future. Clearly, a donation to the endowment fund is an investment in excellence. Income from future donations to the endowment fund will be used to provide an even bigger and better cooperative education program consistent with the original intent of the founders of the Center. There are still many unfulfilled needs.

On this page you will find information about the past accomplishments and future plans of the Center. The history, mission, philosophy and educational program are briefly described in the brochure entitled "Arthur Capper Cooperative Center."

An advisory council of 14 members provides help and direction in identifying, designing and delivering high priority, excellent educational programs. Accountability to donors is provided through the Kansas Cooperative Council. The president of KCC appoints nine of the members and chairs the council

Endowment Fund and Other Income

Total contributions to the endowment fund from 1984 to June 30, 1998 (the 1998 fiscal year end) are about \$600,000. The goal is to increase the endowment by \$500,000. Annual income from the fund is expected to be about \$50,000 in FY1999. The endowment fund and its income are the foundation and leverage to offer educational programs that generate additional income from fees for educational programs and projects and from grants. In FY1998 almost \$60,000 was earned, more than doubling the funds available to support cooperative education activities.

Program Accomplishments

The ACCC education program includes several components. The accomplishments related to a few of the components are as follows:

Student Education. The objective is to encourage students to appreciate and become more knowledgeable about cooperatives and the cooperative form of business. Students have been awarded 74 scholarships of up to \$1,000 each. Forty-two students have completed a 12-week summer internship with 16 different cooperatives. In recent years five to ten interns have been placed each summer with cooperatives. Each year a student group receives support to make a field trip visit to a major cooperative in another state.

Library. Information about cooperatives is often hard to find but critical to providing a strong teaching, research and outreach program. A major library collection has been established in the Department of Agricultural Economics and is readily accessible through a computer-based information retrieval system. Over 5,000 reports, articles, books, videos and cooperative financial reports are catalogued. Several hundred new titles are added each year.

Symposium. Each year a one-day symposium on a high priority cooperative issue is held for cooperative leaders. Eleven symposiums have been held, the first in 1987. The 1998 symposium was on *Grain Marketing Alliances: Opportunities or Threats?*

CEO Round Table. An annual three-day CEO Round Table is held as a forum where CEO's of highly successful marketing and farm supply cooperatives can meet to consider critical issues facing the cooperative industry. It is co-sponsored by CoBank. The first was held in 1996.

Financial Planning. Special financial planning projects are completed for individual cooperatives, on request, by the ACCC staff. Fees are charged for staff time. The primary focus is preparing a detailed financial plan to evaluate major strategic issues such as mergers and changing the equity redemption program. Five to ten projects are completed each year, requiring a substantial amount of staff time and sophisticated analysis. Substantial cooperative education is provided to a cooperative's staff and board and is based on the expertise and research-based information of the ACCC staff.

Program Plans and Needs

The resources available are far below what could be used to provide an outstanding educational program. Student scholarships are very small compared to the cost of higher education and need to be doubled or tripled. The largest scholarships the ACCC offers, \$1,000, pay less than one-third the cost of tuition, fees and books. Graduate fellowships also have been proposed, which will require substantial additional funding. Two new proposed fellowships are (1) to support a graduate student's education and research on cooperative topics at an annual cost of \$15,000 and (2) to provide an annual fellowship to a cooperative employee or director to cover half the costs of participating in the Master in Agribusiness program, an executive-type, distance-based graduate program at a cost of \$5,000 for each participant for the three-year program. Faculty want to participate in important cooperative-related meetings held in other states, often as a national-level meeting of industry and academic experts on cooperatives, but need funding for travel costs. Teaching and research related to cooperatives would improve substantially with this type of support.

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Dr. Daniel Bernardo
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Department of Agricultural Economics
Kansas State University
342 Waters Hall
Manhattan, Kansas 66506
785-532-4493

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Kansas State University
305 Waters Hall
Manhattan, Kansas 66506
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Dennis Blick, Vice President
CoBank-Wichita Center
PO Box 2940
Wichita, Kansas 67201
316-290-2042

Dr. Michael Boland, Assistant Professor
Department of Agricultural Economics
Kansas State University
331C Waters Hall
Manhattan, Kansas 66506
785-532-4449

Irvin Clubine, Chief Executive Officer
The Garden City Co-op, Inc.
PO Box 838
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Jim Dooley, Former Secretary
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Route 2
Jewell, Kansas 66949
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Tony Dyer, General Manager
Kansas Farmers Service Association
PO Box 1747
Hutchinson, Kansas 67504-1747
800-362-2104

Dr. Allen Featherstone, Professor
Department of Agricultural Economics
Kansas State University
313 Waters Hall
Manhattan, Kansas 66506
785-532-4441

Darwin Francis, Former Chairman
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Route 2, Box 174
Attica, Kansas 67009
316-254-7784

Joseph Lieber, Executive Vice President
Kansas Cooperative Council
700 Kansas Avenue, Suite 615
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785-233-4085

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Department of Agricultural Economics
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216 Waters Hall
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Farmland Industries, Inc.
2434 Morning Dew
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Lois Osborne
Randy and Debra Tosh
Leo Charles Weinhold
Ronald Wilson
Robert and Judy Winderlin
Peter and Blanche Zerr

* Deceased

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
State Capitol, Oklahoma City

OKLAHOMA STATE REGENTS' ENDOWMENT TRUST FUND

INTRODUCTION

Background: The Oklahoma State Regents' Endowment Trust Fund has been established as a vital step in strengthening academic programs throughout Oklahoma's system of public higher education. With strong support of the legislature and the Governor, \$15 million in state money was allocated to establish the program in 1988. The fund is in excess of \$50 million from both public and private sources in FY 92, and more than 140 endowed positions have been established at Oklahoma public colleges and universities.

Purpose: The endowment program is designed to enhance the quality of higher education in Oklahoma by providing state funds as a match for private donations for the establishment of faculty chairs, distinguished professorships, visiting professorships, artists-in-residence, and lectureships. In addition, the program will spur the growth of public/private partnerships to support higher education. Concerned with Oklahoma's growth and development, the State Regents have specified that endowed chairs and distinguished professorships be established in those academic areas that will contribute to the cultural, business, scientific, and/or economic development of the state.

Matching Private Funds: To encourage the support of the private sector, the endowment program requires that institutions raise private funds to match money received from the Endowment Trust Fund. These private monies must have been contributed after July 1, 1988, and may be given over a three-year period. In addition, private monies may be given directly to the State Regents' Endowment Trust Fund on behalf of an institution or to build the principal.

REGENTS' FUNDING LEVELS

The levels indicated for each category are the amounts of private donations required to establish an account. The private donation will be matched dollar for dollar with public funds.

Endowed Chairs: Endowed chair accounts may be established at the comprehensive universities with a minimum contribution of \$500,000. At other institutions, the minimum contribution is \$250,000.

Distinguished Professorships: Professorships may be established with a minimum contribution of \$125,000.

Lectureships and Artists-in-Residence: Lectureships and artists-in-residence accounts may be established with a minimum contribution of \$25,000 at regional and special purpose universities and two-year colleges.

OPERATION OF AN ENDOWMENT ACCOUNT

Application: A public college or university in Oklahoma may apply to the State Regents to establish an endowment account within the trust fund. Applications will be evaluated according to State Regents' criteria, which include improving the overall quality of education and research.

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Eligibility: A college or university may request approval of an endowment account in an area for which the institution has an approved program by reporting on deposit an amount in private monies equal to at least half of the requested account. The institution must also obtain a written commitment that the balance of private monies will be contributed within three years from the date of approval by the State Regents.

Matching monies: Private matching funds may be deposited in the State Regents' Endowment Trust Fund, an institution's endowment matching fund, or the fund of a foundation whose sole beneficiary is an institution. If the institution does not receive the remaining portion of matching private funds within the time limit, the public funds can be awarded to another institution.

Investment income: The trust fund principal will remain intact, and a portion of the interest earned from investment of the principal will be allocated to colleges and universities to support the endowed chairs, professorships, and the other programs. Any investment income not designated for institutions becomes part of the fund's principal, which ensures protection from inflation.

Fund trustees: The Oklahoma State Regents for Higher Education serve as trustees of the Endowment Trust Fund. The Regents will prepare written investment plans each year and publish annual financial reports.

BENEFITS OF THE ENDOWMENT TRUST FUND

Enhance academic quality for students: Oklahoma students will be able to study with some of the nation's finest instructors, experience the thrill of working with a prize-winning sculptor or writer, or attend stimulating lectures.

Reward and retain outstanding faculty: Henry Rosovsky, formerly dean of the college of arts and sciences at Harvard University once wrote that "faculty quality is the keystone of university life. The best faculty will attract the ablest students, produce the finest alumni, generate the most research support...nearly everything hinges on the quality of people."

Recruit outstanding new faculty: Because of budget cutbacks, substantial numbers of state faculty positions were lost between 1983 and 1988 from Oklahoma's public institutions. As institutions rebuild this crucial resource, the Endowment Trust Fund will help ensure first-rate professors are recruited to our colleges and universities.

Spur research: Attracting national-class faculty means attracting more private and federal research money to Oklahoma. It is not uncommon for a single person in certain fields to bring in \$1 million in research funds. Studies show that every dollar the state invests in research reaps \$2 in private or federal funding.

Boost economic development: Increased research at Oklahoma's colleges and universities means discovering knowledge that can be transformed into new technology, new products and processes, increased productivity, and new jobs for the state.

CLOSING THE GAP ON EXCELLENCE

The Oklahoma State Regents' Endowment Trust Fund will play a critical role in enhancing educational excellence statewide and in making Oklahoma more competitive in recruiting faculty, students, and research dollars. The endowment program is a private-public partnership making long-term investments in the future of Oklahoma higher education.

POLICY FOR ADMINISTERING THE REGENTS' ENDOWMENT FUND PROGRAM

House Bill No. 1581 of the 1988 Oklahoma Legislature appropriated \$15 million to the Oklahoma State Regents for Higher Education for the purpose of establishing an endowment program to support the establishment of faculty chairs and professorships, and to carry out other related activities to improve the quality of instruction and research at colleges and universities of The Oklahoma State System of Higher Education. Examples of instruction-related projects eligible to participate in the endowment program upon approval of the State Regents are visiting professorships, artist in residence, lectureships and other such support activities.

In 70 O.S. Supp. 1989, Sections 3951, 3952, and 3954, the Oklahoma Legislature provides the statutory framework for the endowment program that includes the fiduciary responsibility of the trustees and permissible investments for the endowment.

Purpose of the Oklahoma State Regents' Endowment Program

Endowed chairs and distinguished professorships should be established in academic areas which will contribute to the enhancement of the overall cultural, business, scientific, and/or economic development of Oklahoma. Endowed chairs and professorships must be established in areas for which the institution has ongoing, approved academic programs.

Regents' Endowment Trust Fund

The Endowment Trust Fund shall be administered by the State Regents in their role as trustees. The Endowment Fund shall be a permanent fund and shall be used for the purposes of establishing and maintaining endowed chairs and professorships at institutions in The Oklahoma State System of Higher Education, and for any other related activities approved by the State Regents to improve the quality of higher education instruction at State System institutions.

Upon authorization of the State Regents, an endowment fund will be established in the State Regents' Agency Special Account or in a custodian bank or trust company to receive monies appropriated by the Legislature, as well as any monies or assets contributed from any source, public or private.

No earnings of the trust fund shall be used for the administrative expenses of the office of the State Regents for Higher Education; expenses incurred by the State Regents in the administration of the trust fund and of the endowment program shall be paid from monies appropriated for the general operating budget of the coordinating board.

Establishment and Operation of Endowment Accounts

- A. **Principal.** The principal held in the Regents' Endowment Fund shall be used for the establishment of and allocated to endowment accounts within the Regents' Endowment Fund for the benefit of public institutions of higher education within the State of Oklahoma.
- B. **Investment Return.** The investment return on the principal of the Regents' Endowment Fund shall be allocated for the benefit of individual institutions for which the accounts are respectively designated and shall be remitted to such institution for the support of endowed chairs and professorships approved by

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the State Regents, together with other activities approved by the State Regents to improve the quality of instruction and/or research at State System institutions. The investment income approved by the State Regents for distribution to an institution shall be deposited in the institution's operating revolving fund (Fund 290).

Any investment income not designated for remittance to an institution shall become part of the principal of the Endowment Fund.

- C. Account levels. The levels indicated for each category are the amounts of private donations required to establish an account. The private donation will be matched dollar for dollar with public monies.

Endowed chair accounts may be established at the comprehensive universities with a minimum private donation of \$500,000; at other institutions, the minimum required is \$250,000. Thus, when fully funded with both private and public matching monies, chairs at comprehensive universities will be endowed with a minimum of \$1,000,000 and chairs at other institutions will be endowed with a minimum of \$500,000.

At the comprehensive universities, professorship accounts may be established with a minimum private donation of \$250,000. At other institutions, professorships may be established with a minimum private donation of \$125,000. Thus, when fully funded with both private and public matching monies, professorships at comprehensive universities will be endowed with a minimum of \$500,000 and professorships at other institutions will be endowed with a minimum of \$250,000.

Lectureships, artist-in-residence, and similar accounts may be established with a minimum private donation of \$25,000 only at regional and special purpose universities and two-year colleges. Thus, when fully funded with both private and public matching monies, said accounts will be endowed with a minimum of \$50,000.

To be initially eligible for an endowment account within the Regents' Endowment Fund, an institution must request an account and must have on deposit as provided in Section F of this policy an amount equal to at least one-half (50%) of the requested account with a written commitment that the balance will be contributed within a thirty-six (36) month period.

- D. Time Limitations. The total matching requirements shall be equal to the amount of the requested endowment account in each instance and shall be deposited within a period of thirty-six (36) months from the date of approval of the account by the State Regents. Provided, an institution may deposit in an endowment account matching funds in an amount which exceeds the required matching amount. Any endowment account for which the institution fails to provide the full matching amount within the time established shall be available to be awarded to another public institution of higher education. No investment return shall be remitted to any institution from an endowment account before the institution has deposited the total required match for the endowment account as provided in Section F of this policy.

- E. Private Sources of Matching Monies. Funds which an institution provides for matching purposes must originate from monies contributed to the institution after July 1, 1988, from private sources specifically designated by the donor to be used for purposes specified in this program. Monies provided for matching

purposes may not be drawn from regularly allocated funds from the Oklahoma State Regents for Higher Education, proceeds of fees or charges authorized by the State Regents of Higher Education, or from federal grants or reimbursements. In instances where the qualifications of all or a portion of the amount of matching monies are questionable, the institution shall request express approval of the State Regents to apply that amount toward the matching requirement. Monies for matching purposes may be contributed to and retained by a foundation for which the sole beneficiary is the respective institution. The foundation must demonstrate that the funds are being held on behalf of the institution as outlined in Section F of this policy; provided, monies contributed by a foundation whose sole beneficiary is an institution may qualify as private matching monies only if the monies are transferred from the foundation to the State Regents for deposit in the State Regents' Endowment Fund. Private matching monies contributed by the foundation may not be retained in that foundation, but must be deposited in the State Regents' Endowment Fund.

- F. Deposit of Private Matching Monies. Any institution which provides matching monies shall deposit the matching funds to one of the following:
1. The State Regents' Endowment Fund
 2. The institution's endowment matching fund
 3. A fund of a foundation whose sole beneficiary is that institution

If such matching monies are not deposited in the Regents' Endowment Fund, the net investment return on matching monies shall be retained in the fund.

- G. Ownership of Private Matching Monies. Ownership of private matching monies transferred by an institution to the State Regents' Endowment Fund for investment shall remain with the institution. Upon request, the monies may be returned to the institution for deposit in Item F.2 above.

Report on Activities Supported by the State Regents' Endowment

Each participating institution shall submit an annual report to the State Regents in which the investments of the matching funds, earned interest income (including capital gains and losses) and the costs of managing the investments are presented in detail. The report shall also include a full accounting of the expenditures of earnings of both the public monies and the private matching monies. Diminution of the original private matching amount may, at the discretion of the State Regents, constitute a forfeiture of the Regents' Endowment Funds which the institutional monies were to match.

Application Procedures

All institutions in The Oklahoma State System of Higher Education are eligible to apply for an endowed chair, professorship, or other related projects under the Regents' Endowment Fund Program. State System institutions desiring to participate in the Regents' Endowment Fund Program shall make application to the State Regents upon meeting requirements for establishing an endowment account as set forth in this policy.

HB 2476
House Education Committee
March 16, 1999

TESTIMONY *

My name is Ron Harper from Tulsa, Oklahoma. I am a graduate of the University of Kansas and currently serve on the Board of Advisors for the Business School.

Thank you, Mr. Chairman for scheduling the hearing on this bill, HB 2476, which would establish the Kansas Partnership for Faculty of Distinction Program. I appear today to express my strong support for HB 2476.

The education I received at the University of Kansas provided me with a solid foundation to be successful in business. In the mid 1980's I was fortunate enough to be able to reward the University for the education I received. I endowed a chair at the KU Business School and contributed additional funds to establish a computer Lab for the use of the students and faculty. This contribution was in excess of \$1.25 million.

Prior to making the contribution, I asked Chancellor Budig if it would be possible to receive some form of matching contribution from the State. I was told at that time the State of Kansas had no matching program and I advised him that the State of Oklahoma has had a program for matching dollar per dollar of private giving for endowed chairs. I also indicated that I had been approached by one private university and one state university in Oklahoma to endow a chair at that time.

I strongly believe in competition and feel that Kansas needs a program like HB 2476 to entice individuals like myself to contribute initially to endow professorships or to make further contribution in areas that interest them. These contributions have a positive impact on recruiting and retaining Distinguished Professors.

HB 2476, in effect, creates a public/private partnership that accrues not only to the faculty and the students, but also to the State of Kansas and the region as a whole. I believe that the proposal outlined in HB 2476 is modest and it sends a very positive signal to individuals or businesses that wish to make contributions in specific areas.

Thanks again for giving me the opportunity to give my testimony and endorsement of this bill.