

MINUTES OF THE HOUSE HIGHER EDUCATION.

The meeting was called to order by Chairperson Lisa Benlon at 3:30 p.m. on February 11, 2002 in Room 231-N of the Capitol.

All members were present except: Ralph Tanner (E)

Committee staff present: Carolyn Rampey, Legislative Research
Paul West, Legislative Research
Renaë Jefferies, Revisor of Statutes
Dee Ann Woodson, Committee Secretary

Conferees appearing before the committee:

Marvin Burris, Vice President for Finance and Administration

Others attending: See attached list.

Chairperson Benlon announced that the Committee would be meeting on Wednesday, February 13, and have two hearings covering **HB 2820** and **HB 2821**. She also reminded the Committee members of the KAN-ED update report and presentation in E-Government Committee meeting on Tuesday, February 12 at 3:30 p.m. in Room 313-S.

The Kansas State Board of Regents was represented by Marvin Burris, Vice President for Finance and Administration, who gave a Power Point presentation on unified budget development and process. He explained how **SB 345** placed the responsibility on the Board of Regents to develop a unified budget for all of higher education to be presented to the Governor and Legislature. He briefly described the process of what the Board has gone through, described the components of the budget for FY 2003 and prepared that budget with the Governor's recommendations, and spoke to the Board's budget priorities.

Mr. Burris stated that the budget for FY 2001 was largely a composite of decisions that had been made by the old Board together with some decisions that had been passed on to the new Board by the State Department of Education, and then **SB 345** component first going into effect in 2001. He said that in Fiscal 2002 the Board presented a more consolidated budget which was a composite of budget priorities and requests from various sectors. Mr. Burris explained that with Fiscal 2003 budget the Board felt like they had begun to develop more of a unified budget, and explained the challenges in the development. The Power Point presentation outlined all the challenges and the process of unifying a budget for FY 2003. (Attachment 1)

The presentation included the various components of FY 2003 unified budget requests between the state universities, technical schools and community colleges as well as the impacts of the Governor's budget. Mr. Burris pointed out that the third year of **SB 345** was not funded. He also stated that the third year funding goals for **SB 345** were not met, and explained the impacts thereof. He went into detail regarding fixed costs associated with annual adjustments to fringe benefits, classified longevity payments, etc. that are not accounted for but have to be paid. Mr. Burris handed out a graphic illustration of the state universities' budget needs, and explained the Governor's almost 4% reduction in funding which amounts to \$35.6+ million shortfall. (Attachment 2)

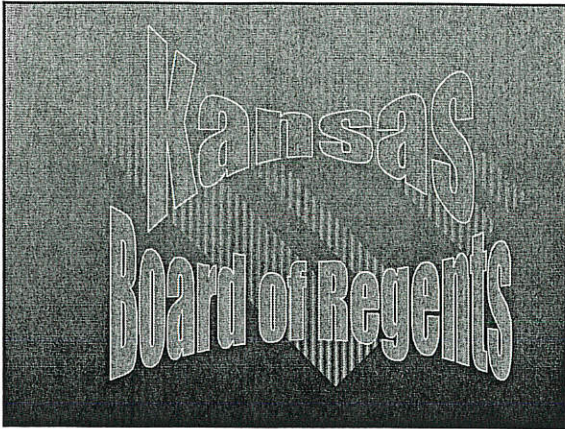
Mr. Burris gave a brief overview of the Board of Regents' research initiative regarding the Board seeking a state, federal, university, and private partnership to construct research facilities at the three research universities within state, i.e., Kansas State University, Kansas University/Kansas University Medical Center, and Wichita State University. He concluded his presentation by giving a summary of the Board of Regents' budget priorities.

CONTINUATION SHEET

Following general discussion and questions, Chairperson Benlon expressed her appreciation to Mr. Burris for his presentation.

Chairperson Benlon directed the Committee's attention to the minutes of the January 6 meeting. Representative Kuether advised that one correction should be made in the spelling of Representative's Loyds' name. Representative Storm made a motion to approve the minutes as corrected, seconded by Representative Kuether, and the motion carried.

Chairperson Benlon adjourned the meeting at 4:10 p.m. The next meeting of the House Higher Education Committee will be Wednesday, February 13, Room 231-N at the Capitol.



1 CHALLENGES OF UNIFYING BUDGET

- Adequately addressing needs of all sectors and constituents

2 CHALLENGES OF UNIFYING BUDGET

- Synthesizing multiple funding models
 - Operating grants for state universities under new funding model

3 CHALLENGES OF UNIFYING BUDGET

- SB345 formula-based operating grants for community colleges and Washburn University
- Postsecondary aid formula for technical schools and colleges

4 CHALLENGES OF UNIFYING BUDGET

- Developing responsible budget in view of state's funding capacity

5 PROCESS OF UNIFYING BUDGET FOR FY 2003

- Board held budget meetings January through June 2001
- Board received funding proposals from sectors

6

PROCESS OF UNIFYING BUDGET FOR FY 2003

- Board developed and reviewed unifying budget themes
 - Operating grant increases for state universities

7

PROCESS OF UNIFYING BUDGET FOR FY 2003

- Full funding of SB 345
- Full funding of postsecondary aid formula for technical schools/colleges

8

PROCESS OF UNIFYING BUDGET FOR FY 2003

- Enhanced technology funding for all sectors
- Enhanced need-based student financial aid
- Enhanced funding for Board office infrastructure

9

PROCESS OF UNIFYING BUDGET FOR FY 2003

- Board initially reviewed FY 2003 budget increase totaling - \$108 million
- Board reduced FY 2003 budget increase to - \$ 80.6 million

10

COMPONENTS OF FY 2003 UNIFIED BUDGET REQUEST - \$80.6 MILLION

- SB 345 funding - \$45 Million
 - Community college operating grants - \$16.1 million
 - State university faculty salary enhancements - \$13.4 million

11

COMPONENTS OF FY 2003 UNIFIED BUDGET REQUEST - \$80.6 MILLION

- Washburn University operating grant - \$ 1.6 million
- 2% performance funding for all sectors - \$13.9 million

12

COMPONENTS OF FY 2003 UNIFIED BUDGET REQUEST - \$80.6 MILLION

- State Universities
 - Annualization of salaries and death and disability contributions - \$6.2 million (impacts all state agencies)
 - 4.5% operating grant incr - \$25.7 million

4. - M
1.5 reduced
determined
not needed

13

COMPONENTS OF FY 2003 UNIFIED BUDGET REQUEST - \$80.6 MILLION

- Technical Schools and Colleges
 - Funding of postsecondary aid formula deficit - \$1.1 million
 - 4% operating increase - \$1.1 million

14

COMPONENTS OF FY 2003 UNIFIED BUDGET REQUEST - \$80.6 MILLION

- Board Office
 - Operating increases and infrastructure needs - \$.5 million
 - Comprehensive Grant Prog - \$.5 million
 - Adult Basic Education matching and other - \$.5 million

15

IMPACTS OF GOVERNOR'S BUDGET

- Governor's Statutory Budget
 - Reduces funding by 4% - \$27 million
 - » State Universities - \$22.1 million
 - » Community Colleges - \$ 3.4 million
 - » Technical Schools/Colleges - \$.8 million
 - » Washburn University - \$.4 million

16

IMPACTS OF GOVERNOR'S BUDGET

- Eliminates \$300,500 in Board office:
 - » Regents Honors Academy - \$110,000
 - » Regents Distinguished Prof - \$108,000
 - » MHEC Dues - \$ 82,500

17

IMPACTS OF GOVERNOR'S BUDGET

- Governor's Enhanced Budget
 - Governor's enhanced revenue plan maintains level funding for higher education institutions in FY 2003

18

IMPACTS OF GOVERNOR'S BUDGET

- Adds \$7 million for state university operating grants
- Adds \$1 million for Comprehensive Grant Program

19

IMPACTS OF GOVERNOR'S BUDGET

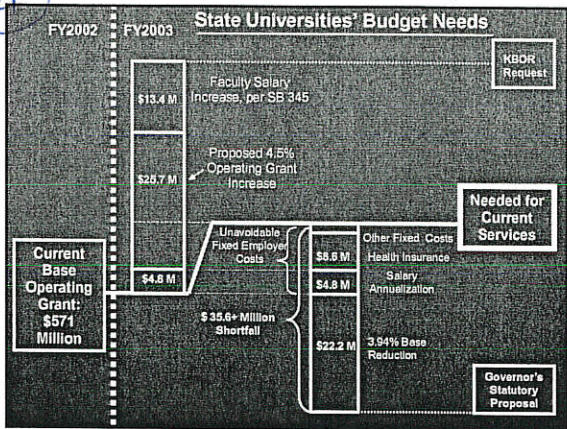
- Neither of Governor's budgets address significant issues

20

IMPACTS OF GOVERNOR'S BUDGET

- Costs at state universities to maintain current services
 - » Salary annualization - \$4.8 million
 - » Health insurance increase - \$8.6 million
 - » Other fixed costs

21



22

IMPACTS OF GOVERNOR'S BUDGET

- Third year of SB 345 not funded

23

IMPACTS OF GOVERNOR'S BUDGET: SB 345 FUNDING GOALS NOT MET

- Provide operating grants to community colleges and Washburn at rate equal to % of regional university funding
 - FY 01 - 50%
 - FY 02 - 55%
 - FY 03 - 60%
 - FY 04 - 65%

24

**IMPACTS OF GOVERNOR'S BUDGET:
SB 345 FUNDING GOALS
NOT MET**

- Phase out community college out district tuition by FY 2004
- Enhance faculty salaries at state universities
- 2% performance grants for all institutions beginning FY 2003

25

**IMPACTS OF GOVERNOR'S
BUDGET**

- Tech school funding remains constant or reduced in the face of no funding enhancements from SB 345

26

**BOARD OF REGENTS RESEARCH
INITIATIVE**

- State, federal, university, private partnership to construct research facilities at three research universities
 - KSU - Food Safety Research

27

**BOARD OF REGENTS RESEARCH
INITIATIVE**

- KU and KUMC - Bioscience Research
- WSU - Aviation Research

28

**BOARD OF REGENTS
RESEARCH INITIATIVE**

- Board requests State to:
 - Grant KBOR, through independent entity, authority to offer state-backed construction bonds

29

**BOARD OF REGENTS
RESEARCH INITIATIVE**

- Provide \$50 million over 6 years (no more than \$10 mil/year) toward P&I payments
- Exempt KBOR from regulatory restrictions to maximize cost-savings

30

SUMMARY OF BOARD OF REGENTS PRIORITIES

- Restoration and maintenance of base budgets
- Full funding of SB 345; state university operating grants; and postsecondary aid for tech schools

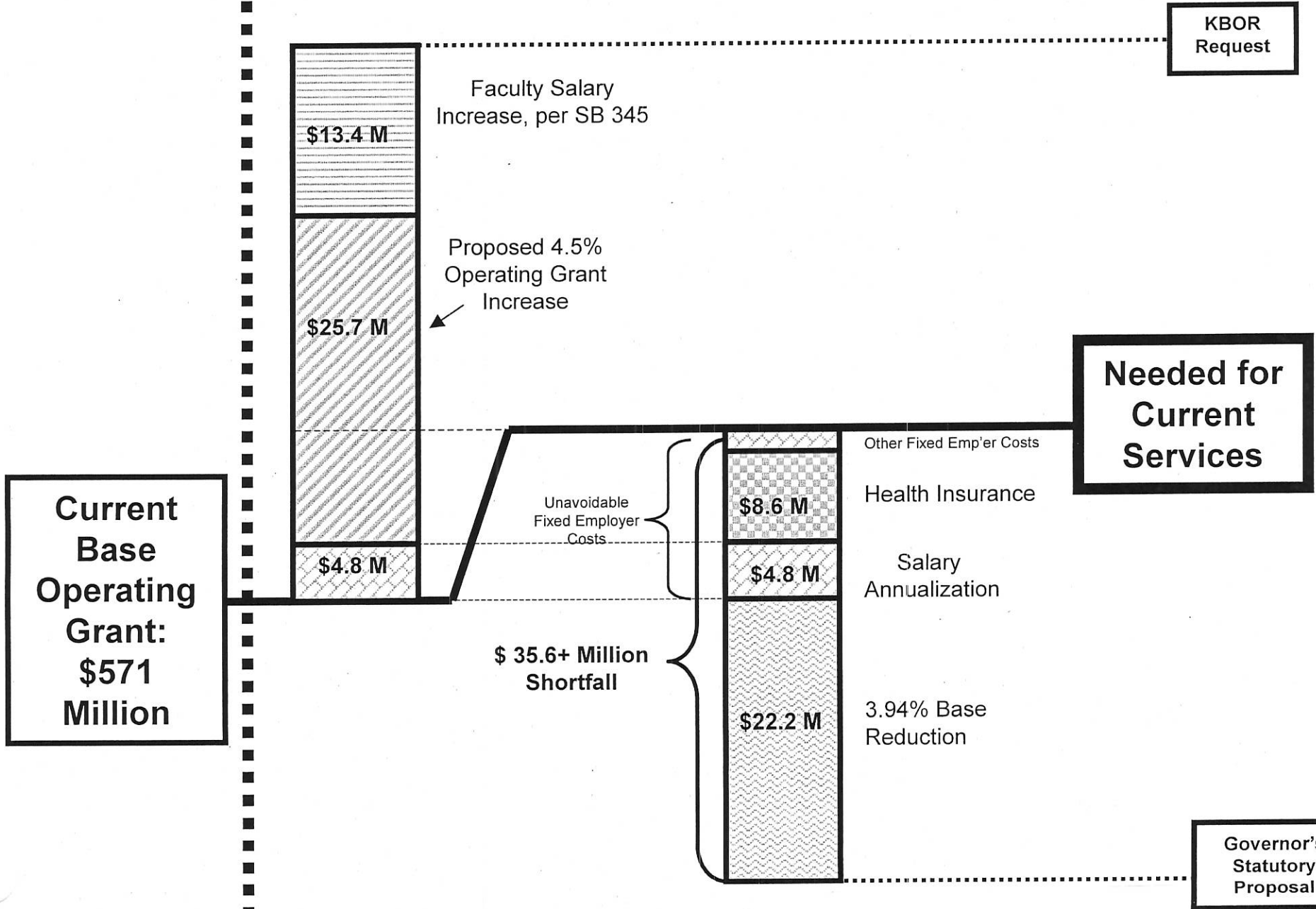
31

SUMMARY OF BOARD OF REGENTS PRIORITIES

- Research initiative

FY2002 FY2003

State Universities' Budget Needs



KBOR Request

Needed for Current Services

Governor's Statutory Proposal