

MINUTES OF THE COMMITTEE ON HIGHER EDUCATION.

The meeting was called to order by Chairperson Tom Sloan at 3:30 p.m. on February 3, 2003 in Room 231-N of the Capitol.

All members were present except: Representative Neighbor, Excused
Representative Tafanelli, Excused

Committee staff present: Mary Galligan, Legislative Research
Paul West, Legislative Research
Carolyn Rampey, Legislative Research
Jim Wilson, Revisor's Office
Mona Gambone, Committee Secretary

Conferees appearing before the committee: Representative Joe Shriver

Others attending: See attached list

Chairman Sloan called the meeting to order at 3:30 p.m..

Chairman Sloan asked the Committee to introduce a bill to get information from non-Kansas universities with dental schools regarding filling some slots with students from Kansas. Representative Storm made the motion, Representative Gordon seconded the motion, the motion passed.

Representative Johnson provided to the Committee a handout of the share of tuition costs paid by students and by the state, per earlier Committee discussion (Attachment 1).

Chairman Sloan provided the Committee with the Performance Audit Report of KPERS (Attachment 2) and a response from Legislative Research regarding KPERS vesting (Attachment 3).

Chairman Sloan then opened the hearing on **HB 2014**

Representative Joe Shriver appeared as a proponent of the bill (Attachment 4). Chairman Sloan provided a copy of the fiscal note on **HB 2014** to the Committee (Attachment 5). Representative Shriver then responded to questions from the Committee.

No one appeared in opposition to the bill. Representative Sloan closed the hearing.

Chairman Sloan announced that the Committee will take action on **HB 2008, HB 2009** and **HB 2014** on February 5, 2003.

Chairman Sloan then asked for the Sub-Committee Chairman to make their reports to the Committee:

Representative Krehbiel reported on Distance Learning (Attachment 6)

Representative Gordon reported on Commercialization of Ideas and Innovations. She said the sub-committee looked mainly at research going on in the state, especially through KTEC and indicated that no one with whom they had talked indicated the need for any legislation at this time.

Carolyn Rampey, Legislative Research, announced that the Sub-Committee on Work Force Development will meet February 4 and February 6 upon adjournment.

There being no further business, the meeting was adjourned at 4:00 p.m.

CONTINUATION SHEET

MINUTES OF THE COMMITTEE ON HIGHER EDUCATION at 3:30 p.m. on February 3, 2003 in Room 231-N of the Capitol.

The next meeting is scheduled for February 6, 2003.

advised
2/3
Attached

**RATIO OF POSTED TUITION TO GENERAL USE EDUCATION AND PHYSICAL PLANT EXPENDITURES PER SEMESTER
FISCAL YEAR 2001**

**Total Education and Physical Plant Expenditure
Per FTE Student Per Semester**

	<u>KU</u>	<u>KSU</u>	<u>WSU</u>	<u>ESU</u>	<u>PSU</u>	<u>FHSU</u>	<u>SYSTEM</u>
Lower Division	\$3,071	\$2,804	\$3,531	\$3,402	\$3,176	\$3,737	\$3,176
Upper Division	\$4,864	\$4,134	\$4,587	\$4,624	\$4,514	\$4,679	\$4,624
Combined Undergrad	\$3,847	\$3,456	\$4,034	\$3,906	\$3,702	\$4,190	\$3,702
Graduate 1	\$4,466	\$5,103	\$3,498	\$3,342	\$3,369	\$3,255	\$4,120
Graduate 2	\$10,629	\$12,241	\$8,664	\$13,483			\$10,865
Combined Graduate	\$5,549	\$6,605	\$3,743	\$3,428	\$3,369	\$3,255	\$4,938
Gross Ave Per FTE	\$4,249	\$3,925	\$3,965	\$3,804	\$3,639	\$4,030	\$4,017

**Percent Tuition to Educational and Physical
Plant Expenditure**

Lower Div Residents	36.9%	40.4%	30.4%	24.9%	26.6%	22.6%	35.9%
Lower Div Non-Resident	147.1%	161.1%	124.1%	94.3%	101.0%	85.8%	143.1%
Upper Div Residents	23.3%	27.4%	23.4%	18.3%	18.7%	18.1%	25.0%
Upper Div Non-Resident	92.9%	109.3%	95.5%	69.4%	71.0%	68.5%	99.6%
All Resident Undergrad	29.5%	32.8%	26.6%	21.7%	22.9%	20.2%	30.0%
Non-Resident Undergrad	117.4%	130.7%	108.6%	82.1%	86.6%	76.5%	119.4%
Resident Masters	29.6%	25.9%	36.0%	30.4%	30.1%	31.2%	32
Non-Resident Masters	94.1%	82.4%	116.8%	90.5%	89.7%	92.9%	102.0%
Resident Doctoral	12.4%	10.8%	14.5%	7.5%			12.2%
Non-Resident Doctoral	39.5%	34.3%	47.2%	22.4%			38.7%
All Resident Graduate	23.8%	20.0%	33.6%	29.6%	30.1%	31.2%	26.8%
All Non-Res Graduate	75.7%	63.6%	109.2%	88.2%	89.7%	92.9%	85.1%

Note: Compiled from Actual FY 2001 General Use expenditures, detailed in institutional operating summaries.
Costs allocated among educational levels utilizing data from the Kansas Cost Study.
Expenditures and Credits for KSU include Salina campus effective with FY 1997
Prepared by: Office of Board of Regents

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House Higher Education Committee
Meeting Date: 2/3/03
Attachment No.:

Excerpt



PERFORMANCE AUDIT REPORT

Reviewing Benefits Provided by the Kansas Public Employees Retirement System

A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit



House Higher Education Committee

Meeting Date: 2/3/03

Attachment No.: 2

decline and come more in line with liabilities. The table below shows the percentage ranges that retirement benefits are funded.

Percent that Retirement Systems' Current and Future Retirement Benefits are Funded

<u>High</u>	<u>All States</u>		<u>KPERS</u>	<u>KPERS' Ranking</u>
	<u>Low</u>	<u>Average</u>		
113.0%	79.9%	94.6%	86.0%	7th of 9

Our comparisons show that the Retirement System was about 86.0% funded, compared with an average of about 94.6% for other systems we surveyed. In fiscal year 2000, the Retirement System's level of funding has increased to 89.0%.

The Retirement System's lower level of funding can be attributed in part to the relatively low employer contribution rate in Kansas. The assets a retirement system has to fund benefit payments owed to current and future retirees is a function of the employer contribution rate, the employee contribution rate and the investment performance of the retirement system. Of these three factors, Kansas' employer contribution rate was the only one that appeared to be significantly lower than in other states. As noted above, for fiscal year 1999 Kansas' employer contribution rate was only 3.99%, compared with an average of 7.49% for the other state retirement systems.

◀ Compared with Other States, Kansas Requires Its Employees to be Members of the Retirement System a Relatively Long Time Before Becoming Vested

Vesting is the number of years employees must have been members of a retirement plan before they are eligible to receive a future retirement benefit. The following table shows the number of years the states in our sample required their employees to work before they became vested in their retirement plans.

Length of Time Before Employees Can Become Vested

<u>Number of Years to Vesting</u>	<u>Number of States</u>
<5 years	3
5 years	5
8 years	2
10 years	1

As the table shows, most states vest employees in 5 or fewer years. Kansas was the only state that requires a 10-year vesting period. This longer vesting period prevents shorter-term employees from receiving retirement benefits. The extended vesting period may also contribute to maintaining lower employer contribution rates.

State	Type of Plan	Benefit as % of Salary			Annual Benefit For Employee With Final Average Salary = \$30,000		Provide Cost of Living Increases?
		30 yrs Service	20 yrs Service	10 yrs Service	30 yrs Service	20 yrs Service	
Arkansas	defined benefit						Yes
Illinois	defined benefit	50.1	33.4	16.7	\$15,030	\$10,020	Yes
Iowa	defined benefit						Yes
Kansas	<i>defined benefit</i>	<i>52.5</i>	<i>35.0</i>	<i>17.5</i>	<i>\$15,750</i>	<i>\$10,500</i>	Yes
Missouri	defined benefit	48.0	32.0	16.0	\$14,400	\$9,600	Yes
Nebraska	defined contribution	NA	NA	NA	NA	NA	No
Oklahoma	defined benefit	60.0	40.0	20.0	\$18,000	\$12,000	Yes
Oregon	combination	50.0	33.3	16.7	\$15,000	\$10,000	Yes
South Dakota	combination	46.5	31.0	15.5	\$13,950	\$9,300	Yes
Wyoming	defined benefit	60.0	40.0	20.0	\$18,000	\$12,000	Yes

States That Do Not Participate In Social Security

Colorado	combination	75.0	50.0	25.0	\$22,500	\$15,000	Yes
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Notes:

Information as of the fiscal year ending in 1999, while bold information is as of the fiscal year ending in 1998.

NA means not applicable.

Blank spaces indicate the State made no response.

* Consumer Price Index

State	Automatic or Ad Hoc?	Contribution Rate (%)		Years To Vest	% The System Is Funded	Health Care Available?	\$ Health Care Premium Paid By State
		Employer	Employee				
Arkansas	Automatic - 3.0%	10.00	6.00	5	113.0		
Illinois	Automatic - 3.0%	9.94	4.00	8	79.9	Yes	
Iowa		5.75	3.70	4	97.0		
Kansas	Ad Hoc	3.99	4.00	10	86.0	Yes	None
Missouri	Automatic - 5.0%	8.63	0.00	5	89.2	Yes	max of \$196/mo
Nebraska	No	NA	NA	5	NA	Yes	None
Oklahoma	Ad Hoc	10.00	3.00	8	82.3	Yes	max of \$105/mo
Oregon	Up to 2% based on CPI*	8.43	6.00	5	93.3	Yes	max of \$60/mo
South Dakota	Automatic - 3.1%	5.00	5.00	3	96.9	No	NA
Wyoming	Automatic - 2.5%	5.68	5.57	4	105.8	No	NA
Colorado	Automatic - 3.5%	8.77	8.00	5	102.7	Yes	max of \$230/mo

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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January 29, 2003

To: Representative Tom Sloan

Office No.: 446N

From: Mary Galligan, Principal Analyst

Re: KPERS Vesting

In order to develop a response to your question about the fiscal impact of changing the KPERS vesting period from ten to five years, I consulted with Dr. Efird on the Research staff. He referred me to 2002 HB 2691 which would have made that change. The bill died in the House Appropriations Committee at the end of the 2002 Session.

The Division of the Budget's fiscal note for the bill stated that KPERS estimated that enactment would increase the unfunded liability of the KPERS system by \$9.0 million. That total is composed of \$5.0 million for state/school members and \$4.0 million for local members.

You also asked a couple of related questions. Here are the questions and information provided by Dr. Efird:

1. Does longevity pay count toward final annual salary for KPERS system?

Yes, it is included when the highest salary years are used to compute final average salary.

2. What are common vesting periods in the public and private sectors in Kansas and other states?

Public sector vesting is typically five to seven years. Private sector is commonly three to five years. Private sector pension programs are covered by the federal Employee Retirement Income Security Act (ERISA). Public sector pension plans are not covered by ERISA for vesting purposes. Some public employers use progressive schedules of partial vesting. For example, an employee might be partially vested beginning in the third year of employment at 25 percent and be totally vested by the seventh year.

I have enclosed for your review an excerpt from a 2000 Legislative Post Audit report that, among other things, compared the KPERS vesting period with those of selected other states.

If you have additional questions, please feel free to contact me.

MKG/aem

Enclosure

37147(1/30/3{11:15AM})

House Higher Education Committee

Meeting Date: 2/3/03

Attachment No.: 3

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

RANKING MINORITY MEMBER
FISCAL OVERSIGHT
GENERAL GOVERNMENT AND
HUMAN RESOURCES BUDGET
MEMBER
APPROPRIATIONS
JUDICIARY
KANSAS SECURITY COMMITTEE
JOINT COMMITTEE ON PENSIONS
AND INVESTMENTS
NCSL FISCAL AFFAIRS

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STATE CAPITOL, ROOM 273-W
TOPEKA, KS 66612-1504
(785) 296-7648
1-800-432-3924

February 3, 2003

Chairman Tom Sloan
Members of Higher Education Committee

Thank you Mr. Chairman.

For purposes of background, I am Representative Joe Shriver. I come to you today as a former member of the Joint Committee on Pensions and Investments. For the past two terms I have served on both the Appropriations Committee and the General Government Budget Committee. The budget committee I served on handled both Kansas Public Employees Retirement System Budget and KPERS issues. I have also served as the House minority party conferee on the Conference Committee.

HB 2014 is part of a proposal former Representative Lloyd Stone and I have worked on for several years to try to correct retirement issues for members of the legislature who also serve with the Board of Regents when the legislature is not in session. The 2001 legislature enacted legislation that provides for a change in statute for future service for legislative/regents members. HB 2014 is part of an agreement to find a solution for past service by a member of the legislature.

I wish to show my support for HB 2014 and ask that you pass this legislation to fulfill the second half of a prior year's agreement.

Joe Shriver
State Representative
District #79

JS:hh

House Higher Education Committee

Meeting Date: 2/3/03

Attachment No.: 4



KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

January 31, 2003

The Honorable Tom Sloan, Chairperson
House Committee on Higher Education
Statehouse, Room 446-N
Topeka, Kansas 66612

Dear Representative Sloan:

SUBJECT: Fiscal Note for HB 2014 by Joint Committee on Pensions, Investments
and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2014 is respectfully submitted to your committee.

HB 2014 would amend current law regarding legislators who are also considered employees of the Board of Regents or an affiliated institution. Since July 1, 2001, a Regents employee who is elected to the Legislature may elect to have the Board of Regents make contributions to the Regents retirement plan while in elected office, but only for prospective service. HB 2014 would allow the employee to elect to have the institution make retroactive contributions to the Regents retirement plan for all legislative service prior to January 8, 2001.

For any legislator who would elect this option, the Board of Regents would be required to submit a request to the Director of Legislative Administrative Services to calculate the amount that would be contributed to the employee's retirement plan by the Board. After this calculation is made, the Director would make a certification to the Board, which would make the contribution on behalf of the employee.

In order to calculate the retirement contribution by the Board of Regents, the Director of Legislative Services would use the following formula for each year that the legislator served:

STATE CAPITOL BUILDING, ROOM 152-E, TOPEKA, KS 66612
Voice 785-296-2436 Fax 785-296-0231 <http://da.state>

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N = Number of Session Days, minus days of absence
P = Per Diem Rate
D = Rate of Daily Subsistence
K = KPERS Contribution Rate
L = Amount that would have been contributed to KPERS

$$[(N \times D) + (N \times P)] \times K = L$$

Once the amount has been calculated that would have been contributed to KPERS (L), the Director would apply the annual interest earnings assumed by KPERS to this amount for the purpose of anticipating actuarial gains on investments for the same time period that the legislator served. This would be the amount that the Director would submit to the Board of Regents for the retirement contribution amount. According to the Board of Regents, the employing state educational institution would make the retirement contribution out of existing budget resources.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Jack Hawn, KPERS
Marvin Burris, Regents
Sharon Schwartz, Legislative Services

HOUSE COMMITTEE ON HIGHER EDUCATION SUBCOMMITTEE ON DISTANCE LEARNING

Members: Carl Krehbiel, Chair; Don Hill, Terrie Huntington, Sydney Carlin, Bill Reardon

Summary of Subcommittee Activity

The Subcommittee met on January 30, 2003 with all members in attendance. Prior to the meeting, the Committee received copies of the summary and text of the KAN-ED Act (K.S.A. 75-7221, *et seq.*) and material regarding KAN-ED presented to the Joint Committee on Information Technology at its December meeting. During its meeting the Subcommittee received briefings on distance learning in the state's public postsecondary educational institutions and on the status of implementation of KAN-ED.

In regard to distance learning in postsecondary educational institutions, Regents staff reviewed the Regents policies regarding distance education. Those policies cover any courses ". . . in which faculty and students are physically separated in place or time and in which two-thirds for [sic] more for [sic] the instruction is provided via some form of mediated delivery system . . ." One of the Regents distance education policies applicable to all 36 institutions in the Regents system states that "if the institution offers a given degree residentially, the corresponding external degree should be essentially identical to the residential degree in requirements and quality." As noted during the briefing, certain Associate, Bachelors and graduate degrees may be earned entirely by distance learning in Kansas.

Kansas Digital Learning for Postsecondary Education (KANDL) is a distance learning initiative undertaken by the postsecondary educational system. KANDL is a statewide professional association of faculty and information technology administrators involved in postsecondary digital learning. The KANDL advisory board includes a KAN-ED representative. KANDL anticipates using the KAN-ED network to facilitate digital education.

State Board of Regents staff reviewed the status of implementation of KAN-ED. That statewide network will support distance learning by linking elementary and secondary schools, libraries and hospitals.

Recommendation

The Subcommittee makes no recommendation at this time.



Representative Carl Krehbiel
Subcommittee Chairman