

MINUTES OF THE HOUSE HIGHER EDUCATION COMMITTEE

The meeting was called to order by Chairman Tom Sloan at 3:30 P.M. on January 26, 2005 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Mary Galligan, Kansas Legislative Research Department
Art Griggs, Office of the Revisor
Linda Reed, Committee Secretary

Conferees appearing before the committee: Reginald Robinson, President and CEO of Kansas Board of Regents

Others attending:

See attached list.

Chairman Sloan called the meeting to order.

Kip Peterson, Director of Government Relations and Communications provided information to the Committee requested from the January 12, 2005 committee meeting, setting out the structure of the council's Regents Board. (Attachment 1) Mr. Peterson noted that responses to questions presented by Representative Hill regarding Voc Tech funding will be provided at a later date.

Chairman Sloan welcomed Reginald Robinson, President and CEO of Kansas Board of Regents. Mr. Robinson addressed the committee on the Regent's legislative initiatives. (Attachment 2)

Chairman Sloan opened the floor to questions. Representative Horst asked Mr. Robinson to explain the enhancement program for the Regents Distinguished Professors program, and how increases are determined. Representative Huff questioned Mr. Robinson regarding required funding to keep the Regent's doors open. Chairman Sloan asked that Mr. Robinson provide those figures to the committee. Chairman Sloan also asked that Mr. Robinson provide at a later date to the committee, a report on the progress of community colleges in bringing students up to basic educational levels. This issue was also discussed in committee last session.

The Chairman opened the hearing on:

HB 2072: Authorizing tuition and fee waivers for certain military personnel and dependents.

Representative Johnson presented testimony regarding **HB 2072**. Representative Johnson provided to the Committee comparisons of death benefit compensation for families of military persons killed while performing his/her duty to the private and government monies afforded to dependents of the 9/11 event. Art Griggs, Office of the Revisor, stated that this bill was essentially passed last year by this committee and the full house.

Representative Johnson responded to questions asked by Representative Pottorff, Representative Carlin and Representative Craft regarding the carry over of the bill from last year, a breakdown of qualifications to qualify as military missing in action and soldiers killed in the line of duty.

Chairman Sloan appointed a Sub-Committee to address questions arising from the discussion about how the state may help military persons and their dependents in a tangible manner. He appointed Representative Johnson, Representative Krehbiel, and Representative Menghini as members to work with the appropriate persons, including the Revisor, to accomplish this objective.

There were no further questions and Chairman Sloan adjourned the meeting at 4:50 p.m.

The next meeting is scheduled for January 31, 2005 at 3:30 p.m. in RM. 231-N.



KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

TELEPHONE – 785-296-3421
FAX – 785-296-0983
www.kansasregents.org

To: Representative Tom Sloan
Chairman, House Higher Education Committee

From: Kip Peterson
Director of Government Relations & Communications

Date: January 26, 2005

Re: Board of Regents' Council Structure

Mr. Chairman, per your request, I have attached information from the Board of Regents' Policy and Procedures Manual that details the Board's council structure.

Please let me know if you have any additional questions. Thank you.

(5) Annual leave shall be scheduled in advance and granted by the President and Chief Executive Officer for periods of time requested by the staff member subject to the operational needs of the office of the Board. Leave requested as a result of personal or family emergency shall be treated on an individual basis by the President and CEO. (6-17-77)

(6) Full-time unclassified Board office staff members may be granted leave with pay upon the death of a close relative. Such leave shall in no case exceed six working days. The employee's relationship to the deceased and necessary travel time shall be among the factors considered in determining whether to grant bereavement leave, and, if so, the amount of leave to be granted. (1-27-94)

(7) Unclassified Board office staff members who accumulate sick leave shall be eligible for participation in the shared leave program of the state of Kansas in the same manner as unclassified staff at the Regents institutions. (1-27-94)

e. Retirement and Insurance Benefits

(1) (a) Eligible classified employees are covered by the Kansas Public Employees Retirement System as determined by law.

(b) Unclassified employees are covered by and/or eligible for those retirement benefits which are set forth in detail in Appendix E of this manual.

(c) Subject to K.S.A. 74-4925 and 4925b, K.A.R. 88-10-1 through 12, and K.A.R. 88-11-1 through 12, eligible classified and unclassified employees may participate in a voluntary tax-sheltered annuities program.

(2) The state of Kansas provides group health, life and long-term disability insurance to eligible classified and unclassified employees. (12-14-95)

f. Commitment of Time, Conflict of Interest, Consulting and Other Employment

The provisions set forth under the heading of FACULTY AND STAFF, Commitment of Time, Conflict of Interest, Consulting and Other Employment shall be applicable to the professional staff of the Board. The President and Chief Executive Officer may establish rules and procedures to effectuate this policy. (5-20-77)

4. COUNCILS AND COMMITTEES

a. Board of Regents Committees

(1) During its regular monthly meeting, the Board meets as a Committee of the Whole to consider matters relating to academic affairs, fiscal affairs, facilities, and policy and procedure. Reports of the recommendations of the Committee with respect to each of these areas are then presented to the Board for final action. (6-27-91)

(2) The Chairperson may also appoint special committees to assist the Board in fulfilling its functions, and may appoint individual Regents to statewide boards or commissions when called upon to do so. In addition, at its regular meeting in September, the Board annually elects one of its members to serve on the Washburn University Board of Regents for the ensuing calendar year. (10-17-91)

b. Council of Presidents

(1) The Council of Presidents (COP), established in 1963, consists of the chief executive officers of the Regents institutions. The Board's President and Chief Executive Officer serves as an ex officio member of the Council. The chair is rotated annually on July 1st.

(2) COP's main function is to consider subjects of systemwide significance and make recommendations to the Board on general policy affecting all institutions. COP may create permanent or ad hoc committees, composed of campus or non-campus personnel, to study selected subjects and report back to the Council.

(3) Meetings of COP are held immediately prior to the regular meetings of the Board, and at such other times as the chair of the Council deems necessary. (10-19-95)

— (a) Council of Chief Academic Officers

(i) The Council of Chief Academic Officers (COCAO), established in 1969, is composed of the academic vice presidents of the Regents institutions. The Board's Vice President for Academic Affairs serves as an ex officio member, and the member from the same institution as the chairperson of the Council of Presidents serves as chairperson of COCAO. The chief academic officers of the University of Kansas Medical Center and Washburn University are authorized to participate as non-voting members when agenda items affecting those institutions are to be considered. COCAO meets monthly and reports to the Council of Presidents. (6-24-99)

(ii) COCAO works with the academic affairs Committee of the Board through the Vice President for Academic Affairs. One of its primary functions is to outline the academic plan for the Regents system. It has responsibility for continuous planning and for upgrading the Master Plan as circumstances dictate, and for carrying out the procedures outlined in the Board's policy for Approval of New Programs. (10-19-95)

— (b) Council of Business Officers

(i) The Council of Business Officers (COBO), formed in 1969, consists of the chief business officer of each Regents institution and reports to the Council of Presidents. The chairperson is from the same institution as the chair of the Council of Presidents, and the Vice President for Finance and Administration for the Board serves as an ex officio member. The chief business officer of the University of Kansas Medical Center is authorized to participate as a non-voting member when agenda items affecting that institution are to be considered.

(ii) COBO's official function is to consider matters on which it can advise the Council of Presidents, either at the request of COP or on COBO's own initiative. The Council meets monthly to discuss various issues arising from state regulatory bodies, statutes and regulations, work out mutual solutions to administrative problems, and develop uniform systems of accounting, budgeting and reporting. (10-19-95)

— (c) Council of Student Affairs Officers

(i) The Council of Student Affairs Officers (COSAO), established in 1983, consists of the chief student affairs officer of each Regents institution or his or her appointee. COSAO reports directly to the Council of Presidents. The chairperson is from the same institution as the chair of the Council of Presidents. The President and Chief Executive Officer shall designate a member of the Board staff to serve as an ex officio member. The chief student affairs officer of the University of Kansas Medical Center is authorized to participate as a non-voting member when agenda items affecting that institution are to be considered.

(ii) The function of the Council is to consider the welfare and development of students and institutional services to meet their needs. (10-19-95)

— c. Council of Faculty Senate Presidents

The Council of Faculty Senate Presidents (COFSP) consists of the duly elected Faculty or University Senate President or chairperson from each Regents institution and the Kansas University Medical Center. Upon invitation from the chair of the Kansas Board of Regents, COFSP's function is to address faculty concerns in a focused and efficient manner. The chairperson is from the same institution as the chair of the Council of Presidents. (2-87)

— d. Students' Advisory Committee

(1) The Students' Advisory Committee (SAC), established by statute in 1975, consists of the student body president from each Regents institution. The members of SAC serve for terms expiring concurrently with their terms as elective student officers and upon qualification of their successors. The chief executive officer of each Regents institution shall annually certify to the Board the name of the highest student executive officer elected by the entire student body of that Regents institution.

(2) The statutory duties and functions of the SAC include attendance at meetings of the Regents except closed or executive meetings; making recommendations to the Board concerning course and curriculum planning and faculty evaluations; advising the Board on the formulation of policy decisions on student affairs; identifying student concerns; considering any problems presented to it by the Board and giving advice thereon; disseminating information to the

members' peers concerning the philosophies and standards of education developed by the Board; and stimulating awareness of student rights and responsibilities.

(3) The Chair of SAC may request the President and Chief Executive Officer to place items on the Board's agenda for discussion and/or consideration. The President and CEO shall review the SAC request with the Chairperson of the Board prior to responding to SAC.

(4) When the Board creates task forces or other subordinate organizations for the purpose of studying questions related to the duties and responsibilities of the SAC, a representative of the SAC shall be appointed to such task force. Further, all councils comprised of Regents institutions' personnel are encouraged to give consideration to the inclusion of student representation on task forces and other bodies created to deal with issues related to the interests and responsibilities of the SAC. (12-19-80; 9-16-93)

e. Rotation of Council or Committee Chair

As a general rule, committee and council chairs will rotate annually on July 1 in the following sequence: University of Kansas, Fort Hays State University, Kansas State University, Pittsburg State University, Emporia State University and Wichita State University. Whenever rotation in such manner is impossible for a given committee or council, a chair shall be selected by general election of the members. (5-19-88)

f. Council on Hospital Governance

(1) The Council on Hospital Governance has delegated authority from the Board of Regents to serve as the governing body for the University of Kansas Hospital and is responsible for the quality of patient care at the University of Kansas Hospital and for assuring that the Hospital carries out its stated mission. The role and purpose of the University of Kansas Hospital is to provide recognized leadership in patient-centered care in a technologically superior environment that supports the education of healthcare professionals. The Council ensures the establishment of a medical staff. The Council is responsible for approving the Medical Staff Bylaws and amendments and credentialing of medical staff members. The Council is responsible for conducting an annual evaluation of its own performance.

(2) The Council on Hospital Governance is composed of the following: Chancellor, Executive Vice Chancellor of the University of Kansas Medical Center, Chief Executive Officer of the University of Kansas Hospital, Chief of Staff, Vice Chief of Staff, Executive Dean of the School of Medicine, two members of the Board of Regents, one member of the Executive Committee of the Medical Staff (as elected by the Executive Committee), the President and Chief Executive Officer of the Board of Regents, the chief operating officer of the University of Kansas Hospital, and a senior representative of Kansas University Physicians, Inc. (KUPI).

(3) The two members from the Board of Regents shall be appointed by the Board of Regents for staggered three year terms. The senior representative of KUPI shall be appointed by KUPI. All other members of the Council shall serve by title. The Executive Vice Chancellor of the Medical Center shall serve as Chair and the Chief of Staff shall serve as Vice Chair. The responsibility of the Chair shall be to conduct the meeting, and to ensure that appropriate levels of communication are maintained between the Council, the Board of Regents and the Medical Staff. The responsibility of the Vice Chair is to carry out the duties of the Chair in case of his/her absence. The Council shall meet quarterly at the Hospital, and shall have its actions approved by the Board of Regents on a quarterly basis.

(4) Six members shall constitute a quorum to transact business. Council members shall be notified in writing at least two weeks in advance of each regular meeting. Council members may forward agenda items to the Chair at least ten days before the date of the regular meeting. The Chair shall mail to each member of the Council, at least seven days prior to each meeting, an agenda and supplemental materials. Special meetings may be called by the Chair, or in the Chair's absence, by the Vice Chair, with at least five days notice. Meetings are conducted following Robert's Rules of Order.

(5) The Chancellor is responsible for appointing the Chief Executive Officer of the Hospital. The Council shall provide consultation to the Chancellor with respect to the selection and appointment of the Chief Executive Officer of the Hospital. The Chief Executive Officer of the Hospital has the authority to direct and coordinate hospital operations in conjunction with the Hospital's mission and subject to Council policies. On an annual basis, a Subcommittee of the Council shall provide an annual performance evaluation of the Chief Executive Officer of the Hospital. The Subcommittee shall be composed of the Chancellor and Executive Vice Chancellor. The Subcommittee shall provide a report of the evaluation to the Council. (10-15-92; 4-14-94; 6-27-96)

9. Performance Agreements

In accordance with Senate Bill 647 the Kansas Board of Regents has adopted policies and procedures for the development of Performance Agreements with each postsecondary educational institution. These policies and procedures are described in the Board approved document "Performance Agreement Guidelines and Procedures." Commencing on July 1, 2005, each postsecondary educational institution's receipt of new state funds will be contingent on compliance with its performance agreement, as described in the Performance Agreement Guidelines and Procedures. The failure of a postsecondary educational institution to enter a performance agreement shall prevent that postsecondary educational institution from receiving any new state funds. (1-15-04)

10. KAN-ED Act

Policy

The KAN-ED Act, created in the 2001 Kansas legislative session, is to provide for a broadband technology-based network to which schools, libraries and hospitals may connect for broadband Internet access and intranet access for distance learning. The legislature assigned to the Kansas Board of Regents responsibility for the program and contracting for the creation, operation, and maintenance of the KAN-ED network. The Board is responsible for creation of a plan to ensure that schools, libraries and hospitals have quality, affordable access to the Internet and distance learning. The Board shall administer the program such that it complies with provisions of the act. The Board assigns responsibility to the President and Chief Executive Officer for procedures to develop, implement and administer the KAN-ED network. (5-17-01)

Procedures

- a. For reference, the KAN-ED Act, known as Senate Substitute for House Bill 2035, created by the 2001 Kansas Legislature of the State of Kansas, shall be included in these procedures.
- b. The President and Chief Executive Officer:
 - (1) shall be responsible for ensuring compliance with statutory requirements.
 - (2) shall be responsible for the development of a plan for implementation of the KAN-ED network and shall recommend such plan to the Kansas Board of Regents prior to submission to the 2002 Kansas Legislature.
 - (3) shall establish a KAN-ED Advisory Council (KAC) to make recommendations regarding development, implementation, and administration of the KAN-ED network. KAC shall include representatives of the sectors for whom the bill was enacted: schools (defined to include higher education), libraries and hospitals. The initial activity of the KAC shall be to develop and recommend a plan for implementation of the KAN-ED network.
 - (4) may establish other advisory groups as needed.
 - (5) shall establish procedures for effective administration of the KAN-ED network, including employment of staff and expenditure of funds.

—11. SYSTEM COUNCIL OF PRESIDENTS

- (1) The System Council of Presidents (SCOP), established in 2002, consists of the six presidents of the state universities, four presidents selected by the nineteen community colleges, one president selected by the ten technical institutions, and the president of Washburn University. The Board's president and CEO serves as an ex officio member of the Council. Two members of SCOP will serve as co-chairpersons: One shall be by annual rotation on July 1st from among the six state universities, the other shall be selected by the six SCOP members from institutions coordinated-but-not-governed by the Board. The presidents of other institutions (when not current members) are invited to provide input to SCOP when agenda items affecting those institutions are to be considered. On matters that have system-wide impact, all positions will be reported to the Board, and a majority will be required for Council endorsement.

(2) SCOP's main function is to consider coordination issues and make recommendations to the Board on general policy affecting all coordinated institutions. The Board's president and CEO will determine which issues are coordination issues; the Board Chairperson may review this determination. SCOP may create permanent or ad hoc committees, composed of campus or non-campus personnel, to study selected subjects and report back to the Council.

(3) Meetings of SCOP are held prior to the regular meetings of the Board, and at such other times as the co-chairpersons of the Council deem necessary.

12. SYSTEM COUNCIL OF CHIEF ACADEMIC OFFICERS

(1) The System Council of Chief Academic Officers (SCOCAO), established in 2002, is composed of the six chief academic officers of the state universities, four chief academic officers selected by the nineteen community colleges, one chief academic officer selected by the ten technical institutions, and the chief academic officer of Washburn University. The Board's Vice-President for Academic Affairs serves as an ex officio member. Two members of SCOCAO will serve as co-chairpersons: One shall be from the same institution as the state university SCOP co-chairperson; the other shall be selected by the six SCOCAO members from institutions coordinated-but-not-governed by the Board. The chief academic officers of the University of Kansas Medical Center and other institutions (when not current members) are invited to provide input to SCOCAO when agenda items affecting those institutions are to be considered. SCOCAO may solicit input from councils that are not established by the Board. SCOCAO meets monthly. SCOCAO reports to SCOP on matters that have system-wide impact; on such matters all positions will be reported to SCOP, and a majority will be required for Council endorsement.

(2) SCOCAO formulates recommendations relating to the implementation of the Higher Education Coordination Act as they apply to academic affairs; addresses instructional, academic, or related issues that affect higher education system-wide in Kansas; receives and reviews recommendations from individual campuses or instructional groups; promotes continuous quality improvement and coordination of higher education in Kansas; and promotes higher education improvement through joint academic or professional development activities. One of its primary functions is continuous academic planning for the Regents system. It acts in accordance with the academic affairs policies and procedures for coordination as outlined in the Board's Policy and Procedure Manual.

The policy is effective immediately and will be reviewed for continuation in one year. (12-18-02)

13. TRANSFER AGREEMENT AND ARTICULATION GUIDE/ KANSAS PUBLIC COMMUNITY COLLEGES - KANSAS PUBLIC UNIVERSITIES

We, the representatives of public institutions of higher education in the State of Kansas, adopt the following transfer agreement.

A student who completes an Associate of Arts or Associate of Science degree based on a baccalaureate oriented sequence at a state and regionally accredited Kansas public community college, and whose program of study has met the requirements of the Kansas Public Community College-Kansas Public University Transfer Agreement and Articulation Guide, will be accepted with junior standing and will have satisfied the general education requirements of all Kansas public universities. Students transferring to Kansas Public Universities who have not completed an Associate of Arts or Associate of Science degree will be given general education credit for any articulated general education course completed at the community college.*

This voluntary commitment reaffirms the intent to cooperate with sister colleges and universities in matters of student transfer and articulation for the ultimate benefit of all transfer students in the State of Kansas.

*See the nine points of clarification below.

POINTS OF CLARIFICATION

1. This Agreement applies only to Associate of Arts and Associate of Science degree transfers from state and regionally accredited public community colleges in Kansas. The agreement does not include transfers from nonaccredited community colleges or any other colleges.
2. Transfer students accepted for admission at Kansas public universities with the Associate of Arts or Associate of Science degree will automatically be given junior standing with the understanding that:



KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

TELEPHONE – 785-296-3421
FAX – 785-296-0983
www.kansasregents.org

**Testimony Before the House Higher Education Committee
January 26, 2005**

**Reginald L. Robinson, President and CEO
Kansas Board of Regents**

KBOR Legislative Initiatives

Interest Ownership on University Funds

Proposal:

To expand the tuition ownership budget model to credit the interest earnings on all non-State General Funds to the fund that generated the earnings.

Background:

The Universities governed by the Board of Regents have operated under a new budget model for four years. That model provides a State General Fund operating grant to each university and tuition ownership. Over the last three of the last four fiscal years, the Regents Universities have absorbed \$82 million in funding reductions and increased fringe benefit costs. The Universities have had to look to the students to pay a greater cost of their education in the form of increased tuition and other fees in order to meet the continued demand for a quality education in Kansas.

The Regents universities propose that the tuition ownership budget model be further expanded such that the interest earnings on the tuition and fees accrue to the fund that generated the earnings.

Given the increases the universities are asking students and their families to absorb, it is only fair that the interest earned on those monies be credited back to the General Fees fund. All of the higher education institutions in the state earn interest on their tuition dollars except the six universities governed by the Regents. By crediting the interest on the General Fees fund back to the Universities, the Universities may be able to mitigate future tuition increases.

Several other funds should also accrue interest earnings as student fees and research dollars are deposited in these funds: Restricted Fees Funds (including student fee accounts), Research Overhead Funds, Direct Medical Education Funds and many others.

This proposal will require specific statutory authority similar to the authority granted for the Student Housing Funds at the University campuses.

Fiscal Impact:

For all six state universities, these funds would have earned \$1.9 million in FY2004, with a corresponding reduction in revenue to the state's General Fund.

This proposal was introduced as Senate Bill 73.

Alternative Civil Service Proposal**Proposal:**

The Board of Regents requests authorization to create a new category of unclassified employees called "University Support Staff." The Board would approve proposals presented by governed universities to convert classified; civil service employee positions to unclassified, university support staff positions. The statutory change would be permissive so that each university could determine the cost and benefit based on their specific facts and circumstances. If this legislation were approved, any university wishing to take advantage of the new classification would have to bring a specific plan to the Board of Regents for approval.

Background:

While the state universities have been afforded greater flexibility under tuition ownership, they have also been challenged to re-design administrative and support processes to increase efficiency. The proposed alternative to the State Civil Service will give universities, at their option, the administrative flexibility necessary to remove the barriers in pay and job title administration while maintaining the best features of state civil service. If a university cannot financially reward its best employees, those employees will not stay with the university.

The rigidity inherent in state classified job descriptions does not appropriately reflect the employment environment in higher education. In addition, the salaries for state civil service staff are controlled by a pay matrix that is uniform across the state. There is no recognition of regional differences in cost of living or market salaries, nor is there a mechanism to reward employees based on merit. Because classified employees have been frozen in the pay matrix for four years, we are now experiencing serious salary compression because new employees are being hired at the same pay range as employees who have worked for the universities for four years.

The pay matrix system simply does not work in some instances and it does not provide the flexibility needed in higher education, as evidenced by current experience and a review of employment systems in other comparable systems of higher education.

Fiscal and Administrative Impact:

Since the legislation is permissive, there is no fiscal impact or administrative impact to the universities that choose not to pursue the alternative to civil service. For those universities that do pursue the change, the costs can be managed through reduced turnover and training.

This proposal was introduced as Senate Bill 74.

Continuation of Kan-ed funding through the Kansas Universal Service Fund

Proposal:

To renew Kan-ed's share of the Kansas Universal Service Fund for another three years (until FY2008).

Background:

Kan-ed receives \$10 million annually from the Kansas Universal Service Fund (KUSF). The KUSF is a fee that wireless and traditional phone customers pay each month. Kan-ed began receiving funding in FY2003 and this funding will expire at the end of FY2005 if not renewed.

Fiscal Impact:

Consumers would see a small reduction in their monthly KUSF fee (approximately 24 cents per month) if Kan-ed's funding were terminated.

If Kan-ed's KUSF funding is terminated on June 30, 2005, funding is then directed to come from the State General Fund. However, there is no guarantee funds would be appropriated by the state legislature.

This proposal was introduced as House Bill 2026.

Repeal community college education contract language

Proposal:

To repeal outdated and often-ignored statutory language that prohibits community colleges from collaborating with out-of-state entities on programs.

Background:

Community colleges are otherwise authorized to contract with institutions and agencies for education purposes. However, this statute places limitations on such contracts that are not in the best interest of the community colleges. The statute was last amended in 1999 to simply replace references to the Board of Education with the Board of Regents. The original limitation with regard to contracts entered by a community college with public or private institutions or agencies appeared in 1972. According to legislative history, one of the prime reasons for this limitation was the travel required to attend classes in another state, which may have been required for a collaborative program.

Technological changes make this limitation no longer necessary. At present, this statute seems to unduly restrict the programs community colleges may be able to offer in conjunction with programs developed by institutions in other states.

Fiscal Impact:

None known.

This proposal was introduced as Senate Bill 9.

Modifications to the Regents' system retirement plans

Proposal:

To make statutory modifications to the Board of Regents' retirement plan to make language consistent with plan documents that will be adopted in order for KBOR to better comply with fiduciary duties and legal requirements.

Background:

KBOR has been working with Ice Miller, outside counsel specializing in tax, retirement and benefits law, under a RFP. The retirement plan documents developed by Ice Miller for the Board of Regents' office and educational institutions under its management require minor language modifications for clarification of the mandatory and voluntary retirement plans. Proposed K.S.A. 74-4925 would include the ability of the Board of Regents to contract with a bank on approved non-bank trustee or custodian under Section 401(f) of the Internal Revenue Code. Although the proposal includes much wordsmithing, this is the main modification.

Fiscal Impact:

None known.

This proposal was introduced as Senate Bill 99.

Modifications to the Regents' phased retirement program

Proposal:

Current statutory language needs to be updated and clarifications need to be made regarding program eligibility and the distribution of benefits.

Background:

In working with Ice Miller, outside counsel specializing in tax, retirement and benefits law, on the Board of Regents' retirement plan, several suggestions for statutory changes were made, including minor changes to K.S.A. 76-746. The proposed changes would update the language and clarify the eligibility of the program and the manner in which benefits to be provided during the term of the phased retirement are calculated.

Statutory modifications are needed to clarify that the benefits to be provided to employees who have entered into a phased retirement agreement will be calculated based upon the percentage appointment held by the employee prior to entering a phased retirement agreement. In addition, the statutory language would be modified to clarify eligibility of phased retirement to include those unclassified employees of a statute educational institution who are participants in the Board of Regents' retirement plan.

Fiscal Impact:

None known.

This proposal was introduced as Senate Bill 99.

Elimination of the \$1 million Research Foundation Capital Improvement project cap

Proposal:

The University of Kansas and Kansas State University jointly request authorization to eliminate the \$1 million Research Foundation Capital Improvement project cap contained in K.S.A. 76-759.

Background:

In 2000, the Kansas Legislature adopted a statute (K.S.A. 76-759) allowing for research foundations of state colleges and universities to initiate and complete capital improvement projects on state-owned property. This statute was enacted for the purpose of encouraging and facilitating the construction of these projects, and to encourage the growth of sponsored research at these universities. The statute, as originally enacted, contains a cap of \$1 million.

The existence of this limitation could impair the ability of universities ability to respond to federal research opportunities. A competitive grant awarded for over a million dollars to remodel bioscience laboratory facilities, for example, could be slowed by as much as a year because of this limitation.

Fiscal and Administrative Impact:

This authority would be limited to those projects financed entirely by non-state moneys. Consultation with the Joint Committee on State Building Construction would be required and approval of the Kansas Board of Regents would also be necessary.

This proposal was introduced as Senate Bill 8.

Deferred Maintenance

Issue:

Additional revenue is needed to address the \$584 million deferred maintenance backlog on the six state university campuses.

Background:

During this past summer and early fall, facilities audits were performed on the 537 educational and general (E&G) buildings on the campuses of the six state universities by Board staff and a private facilities management consultant. The findings estimate that the deferred maintenance backlog on the six university campuses is approximately \$584 million and growing. This problem is not unique to Kansas. Nationwide deferred maintenance backlog estimates vary from \$26 billion, which is acknowledged to be conservative, to over \$50 billion.

Kansas taxpayers own 537 academic/administrative buildings, commonly referred to as E&G buildings, on the six state university campuses. This represents two out of every three buildings that the State of Kansas owns. These buildings exclude auxiliary facilities such as residence halls, student unions and parking garages. These 537 E&G buildings represent 20 million square

feet that are sited on 2,250 maintained acres. The replacement value of these buildings, including utilities and infrastructure, is \$3.9 billion.

The primary factors leading to the current state of deferred maintenance on the university campuses is a lack of funding coupled with the age of the buildings. Eighty percent of the total building inventory is at least 20 years old. The 1960's through the 1980's were periods of huge growth for all of higher education. Like many institutions across the nation, nearly 40% of the state university space was built within that 20-year time frame. This major expansion was initiated by unprecedented enrollment growth due to the "Baby Boom" generation. Now, some 20-40 years later, these buildings require simultaneous overhaul of their major subsystems.

Heating, ventilation, electrical and plumbing systems, if they have not already been replaced, are either worn out or are about to wear out. This isn't because they haven't been maintained, it is simply because the systems have reached the end of their useful life. The average lifecycle of the components that make up buildings is 23 years.

The maintenance backlog on the six state university campuses is as follows:

The University of Kansas (including KUMC)	\$237.3 million
Kansas State University	\$209.4 million
Pittsburg State University	\$39.8 million
Fort Hays State University	\$35.2 million
Wichita State University	\$33.9 million
Emporia State University	\$28.9 million

Fiscal Impact:

To prevent further deferred maintenance backlog, \$74 million per year is required, without factoring inflation, to adequately maintain the university campuses. If this problem is not addressed, today's deferred maintenance backlog of \$584 million will grow to nearly \$800 million by fiscal year 2014.

KBOR FY 2006 Budget Request

SB 345 Funding

The SB 345 funding proposal is based on full funding of the statutory formulas contained in SB 345. Accordingly, the FY 2006 proposal is based on funding at the rate of 65% of SGF spending at the regional universities. On this basis, full funding of SB 345 in FY 2006 requires a total increase of \$79.4 million, including \$13.7 million for 2% performance grants. Table 2 displays the detailed calculations of the components of SB 345 funding.

The increase of \$79.4 million is composed of:

- \$33.1 million for community colleges, of which \$5.4 million would be used to eliminate out-district tuition; \$22.2 million, representing 80% of the net increase, would be used for local property tax relief; and the balance of \$5.5 million, representing 20% of the net increase, would be used for budgetary enhancement at the colleges.

- \$4.8 million for Washburn University.
- \$27.7 million for state university faculty salary enhancements, representing the difference between \$33.1 million for community colleges and the \$5.4 million to be used to eliminate out-district tuition.
- \$13.7 million for 2% performance grants for all 36 postsecondary institutions.

State Universities

The FY 2006 budget proposal for the state universities includes the following increases:

- \$17.5 million in one-time appropriations to fund the 27th payroll, which will occur in FY 2006. State employees are paid bi-weekly, and in most fiscal years there are 26 pay periods. However, when the state converted to bi-weekly pay several years ago, it was anticipated that every few years a fiscal year would contain 27 pay periods. This will be a statewide issue in FY 2006, and the universities have projected they will need one-time additional funding of \$17.5 million to cover the 27th payroll.
- Operating grant increase which would consist of the following components of increase on a base of \$563.7 million:
 - 6% increase (\$33.820 million) to be allocated uniformly to all universities, to cover inflationary cost increases over a two-fiscal-year period.
 - 1% increase (\$5.596 million) to be allocated to address funding equity issues, as follows:
 - \$.655 million to WSU, representing a 1% increase, to address the tuition accountability funding issue identified in the budget reform “white paper” originally adopted by the KBOR.
 - \$2.033 million to KUMC, representing a 2% increase, to address issues related to tuition generation capability and imbedded programs whose funding is protected.
 - \$.979 million to KSU-ESARP, representing a 2% increase, to address issues related to tuition generation capability.
 - \$1.929 million to the three regional universities, representing a 2% increase, to address issues related to tuition generation capability and maintaining the appropriate mix of state and tuition funding.
- Servicing new buildings coming on-line - \$1,081,715.
 - KU, \$138,564; KUMC, \$584,250; KSU, \$238,478; WSU, \$120,423

State university operating grant funding received by the KBOR would be allocated in proportion to its original request, subject to the KBOR's prioritization of items such as new buildings operating support.

The total increase would be \$57.986 million, an increase of 10.3%. When the universities' SB 345 faculty enhancement funding of \$27.7 million is added, the increase would be 15.2%.

Technical Schools and Colleges

The budget proposal for the technical schools and colleges includes a total increase of \$5.0 million in postsecondary aid to fully fund the statutory formula and provide a 6% base operating increase. This proposal does not provide any increase to the current \$2.565 million capital outlay appropriation. This proposal provides an increase of 17.1% on total base funding.

Student Financial Assistance Programs

- \$1,000,000 for Comprehensive Grant Program. This would provide aid to an additional 750 students and would bring total state funding for this program to \$13 million. This enhancement is in line with a three-year program adopted by the Board three years ago to increase the Comprehensive Grant Program in order to eliminate a \$3.1 million unmet need at state universities within three years. Much of this has remained unfunded, although the Governor recommended and the Legislature appropriated a \$750,000 increase in FY 2004.
- \$370,000 enhancement to the Medical Student Loan Program. The increase in state funding is necessary to offset declining repayment revenues and maintain 30 new awards in FY 2006.
- \$240,000 enhancement for the Osteopathic Scholarship Program to partially fund the program. The balance of funding would come from scholarship repayment funds. This level of funding would provide 32 scholarships at \$15,000 each.
- \$200,000 to address waiting lists for the following programs: Ethnic Minority Scholarship; Teacher Scholarship; Nursing Scholarship; and Optometry Seat Purchase.

Other Postsecondary Programs – KBOR

- \$110,000 to restore funding for the Regents Honors Academy. This program, begun in 1987, annually provided an introductory university experience to approximately 150 high-achieving students. Each year the host state university contributed nearly as much to the program as the state. In FY 2004, the Governor and the Legislature discontinued state funding for the program, and the last Academy was held in 2003.
- \$7,500 to fund an increase in MHEC dues from \$82,500 to \$90,000.

- \$242,000 enhancement for the Regents Distinguished Professors program, to increase the number of stipends from 4 to 7, and to increase the individual stipend from \$27,000 to \$50,000.
- \$307,710 to comply with the federal matching requirements in the Adult Basic Education Program. This additional state matching is necessary in order to avoid the loss of approximately \$1 million in federal funds.
- \$227,169 for operation by Fort Hays State University of a Cheyenne Bottoms Education and Visitors Center. The facility would provide educational programs, interpretive displays and literature for visitors, pertinent information for groups such as hunters and birders, and serve as a central resource for information on other nature-based attractions and activities throughout the state.

Board of Regents Office Administration

The budget proposal for the Board office operating budget includes a total increase of \$.528 million from the state general fund, or 17.9%, as follows:

- Base operating increase of \$190,758 to cover:
 - 6% for classified and unclassified salary increases.
 - Longevity increases for classified staff.
 - Benefit rate changes
 - Increase in other operating expenditures to cover such costs as office rent increase, travel, memberships, supplies and PC replacement.
- Additional infrastructure support of \$336,953:
 - Salaries, benefits and other operating expenses for 6 additional positions in the areas of academic affairs, external relations, finance, legal affairs and student financial assistance.

**KANSAS BOARD OF REGENTS
FY 2006 UNIFIED OPERATING BUDGET REQUEST FOR STATE APPROPRIATIONS*
COMPARED WITH GOVERNOR'S RECOMMENDATIONS**

	FY 2005 Base	FY 2006 Request	% Increase	FY 2006 Gov. Rec.	% Increase
State Universities					
Appropriations to Board of Regents:	\$563,660,814				
27th Payroll (One-Time)		\$17,488,301		\$12,972,577	
Operating Grant Increase		\$39,415,570		\$18,000,000	
Operating Support for New Buildings		\$1,081,715		\$0	
Total - State Universities	\$563,660,814	\$57,985,586	10.3%	\$30,972,577	5.5%
Technical Schools and Colleges					
Postsecondary Aid Formula Deficit	\$29,195,765	\$3,400,000		\$0	
Postsecondary Aid General Operating Increase		\$1,597,845		\$1,000,000	
Total - Technical Schools	\$29,195,765	\$4,997,845	17.1%	\$1,000,000	3.4%
Board of Regents Office					
Base Operating Increase	\$2,953,422	\$190,758		\$56,196	
Infrastructure Enhancements		\$336,953		\$0	
27th Payroll (One-time)				\$90,727	
Total - Board of Regents Office	\$2,953,422	\$527,711	17.9%	\$146,923	5.0%
Student Financial Assistance					
Comprehensive Grant Program	\$18,500,926	\$1,000,000		\$1,000,000	
Medical Student Loan Program		\$370,000		\$370,000	
Other Programs		\$440,000		\$0	
Total - Student Financial Assistance	\$18,500,926	\$1,810,000	9.8%	\$1,370,000	7.4%
Other Postsecondary Education Programs					
Regents Honors Academy	\$3,376,002	\$110,000		\$0	
MHEC Dues		\$7,500		\$0	
Regents Distinguished Professors Program		\$242,000		\$0	
Adult Basic Education Federal Matching		\$307,710		\$0	
Cheyenne Bottoms Education and Visitors Center		\$227,169		\$0	
Total - Other Postsecondary Education Programs	\$3,376,002	\$894,379	26.5%	\$0	0.0%
Subtotal	\$617,686,929	\$66,215,521	10.7%	\$33,489,500	5.4%
SB 345 Funding					
Community Colleges					
Operating Grant Increase	\$86,432,516	\$33,152,750		\$5,086,081	
Total - Community Colleges	\$86,432,516	\$33,152,750	38.4%	\$5,086,081	5.9%
Washburn University					
Operating Grant Increase	\$10,593,207	\$4,755,483		\$455,060	
Total - Washburn University	\$10,593,207	\$4,755,483	44.9%	\$455,060	4.3%
State Universities					
Faculty Salary Enhancement		\$27,744,468		\$3,333,426	
2% Performance Grant Funding					
		\$13,737,468		\$0	
Total SB 345 Funding		\$79,390,169		\$8,874,567	
Grand Total	\$714,712,652	\$145,605,690	20.4%	\$42,364,067	5.9%

* Appropriations from State General Fund and Economic Development Initiatives Fund

**Projected Impact of Governor's FY 2006 Budget Recommendations
for State General Fund Operating Increases at State Universities**

FY 2005 Base Operating Grant		\$563,660,815
Governor's Recommended Increase for FY 2006		\$34,306,003
Less Amounts for Statewide Budget Policy Recommendations:		
27th Payroll	\$12,972,577	
2.5% Employee Pay Increase	\$11,800,000	
Death and Disability Contributions	\$1,300,000	\$26,072,577
Less SB 345 Commitment for Faculty Salaries		\$3,333,426
Net Available for Operating Grant Increase		\$4,900,000
% Increase		0.87%