

MINUTES OF THE HOUSE HIGHER EDUCATION COMMITTEE

The meeting was called to order by Chairman Tom Sloan at 3:30 P.M. on February 16, 2005 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

Deb Hollon, Senior Fiscal Analyst - Kansas Legislative Research Department

Others attending:

See attached list.

Chairman Sloan opened discussion to work **HB 2234: Concerning tuition rates at state educational institutions.**

Art Griggs, Office of the Revisor, presented the balloon on **HB 2234** that was developed by Representative Krehbiel's subcommittee. Mr. Griggs described the proposed changes to the bill. (Attachment 1)

Representative Carlin suggested language be added requiring registration of vehicles in Kansas for persons to be eligible for instate tuition. Representative Carlin also suggested that while the bill sets out registration requirements, it should also indicate that they are not required to own any vehicles.

Representative Storm asked Mr. Griggs to comment on the word "any" which might suggest one or ten vehicles.

Representative Krehbiel made the motion to adopt the balloon.

Representative Johnson seconded it.

Motion carried.

Representative Winn asked Art Griggs to elaborate on requirements that residents would need to meet to qualify for instate tuition.

Representative Storm indicated that as the language is stated now, it could be interpreted that you must register multiple vehicles in Kansas. Representative Storm believes the word "any" takes care of applicants owning just one vehicle.

Motion for approval was made by Representative Storm to adopt language in 2D.

Motion was seconded by Representative Krehbiel.

Chairman Sloan noted for the sake of clarification that as he sees it, the bill's intent is for all military persons and their dependents living in Kansas to have their vehicles registered here in Kansas.

Motion approved.

Representative Horst questioned Mr. Griggs as to the wording representing both genders.

Representative Storm questioned the language "has had" permanent orders to a duty station in Kansas.

CONTINUATION SHEET

Minutes of the House Higher Education Committee at 3:30 P.M. on February 16, 2005 in Room 231-N of the Capitol.

Representative Carlin indicated that “has had” works, meaning “now or in the past, not way out into the future.”

Representative Krehbiel stated that he agreed with language as Representative Carlin sees it.

Representative Krehbiel moved that the committee present **HB 2234** favorably for passage as amended.

Representative Horst seconded the motion.

Motion passed.

Chairman Sloan stated that Representative Carlin will carry the bill.

Chairman Sloan welcomed Deb Hollon, Senior Fiscal Analyst, who provided information regarding the Funding of Higher Education in Kansas. Ms. Hollon reported to the Committee that the State of Kansas funds a portion of the operating budgets for the institutions of higher education. In total, there are 36 postsecondary institutions receiving State funding (six universities, 19 community colleges, one municipal university, and ten technical schools and colleges). In addition, the State funds a portion of the capital projects at the State universities. Ms. Hollon elaborated on funding regarding State’s, Community Colleges, Washburn University, and other Postsecondary Education institutions. Ms. Hollon also elaborated on issues regarding student financial assistance, and capital improvements. (Attachment 2)

Questions were asked and discussed by the Committee as Ms. Hollon presented the information.

The meeting was adjourned at 4:35 p.m. The next meeting is scheduled for Monday, February 21, 2005 at 3:30 p.m. in RM. 231-N.

HOUSE BILL No. 2234

By Committee on Higher Education

2-1

9 AN ACT relating to state educational institutions; concerning tuition;
10 amending K.S.A. 2004 Supp. 76-729 and repealing the existing section.

11 *Be it enacted by the Legislature of the State of Kansas:*

12 Section 1. K.S.A. 2004 Supp. 76-729 is hereby amended to read as
13 follows: 76-729. (a) Persons enrolling at the state educational institutions
14 under the control and supervision of the state board of regents who, if
15 such persons are adults, have been domiciliary residents of the state of
16 Kansas or, if such persons are minors, whose parents have been domicil-
17 iary residents of the state of Kansas for at least 12 months prior to en-
18 rollment for any term or session at a state educational institution are
19 residents for fee purposes. A person who has been a resident of the state
20 of Kansas for fee purposes and who leaves the state of Kansas to become
21 a resident of another state or country shall retain status as a resident of
22 the state of Kansas for fee purposes if the person returns to domiciliary
23 residency in the state of Kansas within 12 months of departure. All other
24 persons are nonresidents of the state of Kansas for fee purposes.

25 (b) The state board of regents may authorize *by rule and regulation*
26 the following persons, or any class or classes thereof, and their spouses
27 and dependents to pay an amount equal to resident fees:

- 28 (1) Persons who are employees of a state educational institution;
- 29 (2) persons who are in military service;
- 30 (3) ~~persons who are domiciliary residents of the state, who were in~~
31 ~~active military service prior to becoming domiciliary residents of the state,~~
32 ~~who were present in the state for a period of not less than two years~~
33 ~~during their tenure in active military service, whose domiciliary residence~~
34 ~~was established in the state within 30 days of discharge or retirement~~
35 ~~from active military service under honorable conditions, but whose dom-~~
36 ~~iciliary residence was not timely enough established to meet the residence~~
37 ~~duration requirement of subsection (a);~~
- 38 —(4) persons having special domestic relations circumstances;
- 39 (5) (4) persons who have lost their resident status within six months
40 of enrollment;
- 41 (6) (5) persons who are not domiciliary residents of the state, who
42 have graduated from a high school accredited by the state board of ed-
43

R

1 ucation within six months of enrollment, who were domiciliary residents
2 of the state at the time of graduation from high school or within 12 months
3 prior to graduation from high school, and who are entitled to admission
at a state educational institution pursuant to K.S.A. 72-116, and amend-
ments thereto;

7 (7)(6) persons who are domiciliary residents of the state, whose dom-
8 iciliary residence was established in the state for the purpose of accepting,
9 upon recruitment by an employer, or retaining, upon transfer required
10 by an employer, a position of full-time employment at a place of employ-
11 ment in Kansas, but the domiciliary residence of whom was not timely
12 enough established to meet the residence duration requirement of sub-
13 section (a), and who are not otherwise eligible for authorization to pay an
amount equal to resident fees under this subsection; and

14 (8) ~~persons who have graduated from a high school accredited by the~~
15 ~~state board of education within six months of enrollment and who, at the~~
16 ~~time of graduation from such a high school or while enrolled and in at-~~
17 ~~tendance at such a high school prior to graduation therefrom, were de-~~
18 ~~pendents of a person in military service within the state, if the person,~~
19 ~~whose dependent is eligible for authorization to pay an amount equal to~~
20 ~~resident fees under this provision, does not establish domiciliary resi-~~
21 ~~dence in the state upon retirement from military service, eligibility of the~~
22 ~~dependent for authorization to pay an amount equal to resident fees shall~~
23 ~~lapse.~~

24 (c) The state board of regents shall authorize the following classes of
25 persons to pay an amount equal to resident fees:

26 ~~(1) Any person who has ever been assigned to an active military duty~~
27 ~~station in Kansas and who is living in Kansas at the time of enrollment,~~
28 ~~is a Kansas registered voter and has registered any personal motor vehi-~~
29 ~~cles in Kansas, and such person's dependents and spouse;~~

30 (2) any person who has retired from military service or has been
31 honorably discharged from military service, is a Kansas registered voter
32 and has registered any personal motor vehicles in Kansas; and

33 (3) any spouse or dependent children of a military person who is
34 reassigned from Kansas to another duty station so long as such spouse or
35 dependent children continue to reside in Kansas.

36 (d) So long as a person remains continuously enrolled, exclusive of
37 summer sessions, a person who qualifies to pay resident fees by virtue of
38 being a spouse or dependent of a military person shall not lose such status
39 because of a change in marital status or the death of a spouse.

40 (e) The provisions of subsections (c) and (d) shall be controlling over
41 any conflicting rules and regulations.

42 (e) (f) As used in this section:

43 (1) "Parents" means and includes natural parents, adoptive parents,

at some time during
such person's military
service

(1) Any person in the military service
who:
(A) Has had a permanent change of station
order for active duty in Kansas;
(B) is living in Kansas at the time of
enrollment;
(C) is a Kansas registered voter; and
(D) has registered any personal motor
vehicles in Kansas;
(2) any person who has retired from
military service or has been honorably
discharged from military service who:
(A) Has had a permanent change of station
order for active duty in Kansas;
(B) is living in Kansas at the time of
enrollment;
(C) is a Kansas registered voter; and
(D) has registered any personal motor
vehicles in Kansas;
(3) dependents and spouses of persons
described in subsection (c)(1) and subsection
(c)(2); and
(4) any dependent or spouse of a person
in military service who is reassigned from
Kansas to another duty station so long as such
dependent or spouse continues to reside in
Kansas.
in military service

1 stepparents, guardians and custodians.

2 (2) "Guardian" has the meaning ascribed thereto by K.S.A. 2004
3 Supp. 59-3051, and amendments thereto.

4 (3) "Custodian" means a person, agency or association granted legal
5 custody of a minor under the Kansas code for care of children.

6 (4) "Domiciliary resident" means a person who has present and fixed
7 residence in Kansas where the person intends to remain for an indefinite
8 period and to which the person intends to return following absence.

9 (5) "Full-time employment" means employment requiring at least
10 1,500 hours of work per year.

11 Sec. 2. K.S.A. 2004 Supp. 76-729 is hereby repealed.

12 Sec. 3. This act shall take effect and be in force from and after its
13 publication in the statute book.

(6) "Dependent" means (A) a birth child, adopted child or stepchild or (B) any child other than the foregoing who is actually dependent in whole or in part on the person in military service and who is related to such individual by marriage or consanguinity.

(7) "Military service" means any active service in any armed service of the United States and any active state or federal service in the Kansas army or air national guard.

February 16, 2005

To: House Higher Education Committee
From: Deb Hollon, Senior Fiscal Analyst
Re: Funding for Higher Education

The State of Kansas funds a portion of the operating budgets for the institutions of higher education. In total, there are 36 postsecondary institutions receiving state funding—six universities, 19 community colleges, one municipal university, and ten technical schools and colleges. In addition, the State funds a portion of the capital projects at the state universities. The information below outlines the mechanisms for funding the various sectors of higher education.

Higher Education Coordination Act

The 1999 Legislature passed the Higher Education Coordination Act (SB 345) which transferred supervision of community colleges, area vocational schools, technical colleges, adult education programs, and proprietary schools from the Department of Education to the Board of Regents. The responsibilities of the Board of Regents also changed to include coordination of all postsecondary education in the state including Washburn University and private colleges and universities. This legislation included a funding formula for state operating grants for the community colleges and Washburn University. The formula for state funding of technical colleges was not changed. These formulas are discussed below.

Another aspect of the Coordination Act was that it required implementation of performance agreements for the institutions. The provisions pertaining to performance funding for the state universities have been subsequently amended. Under current law, the Board of Regents is authorized to review and approve institutional improvement plans and to use those plans to implement a performance agreement with each institution. Each performance agreement is to include specific performance measures and, beginning in FY 2006, any new state funds will be based upon compliance with those measures. New state funds, whether actually received by the institution or not, would be factored into the base in subsequent years for calculating any state funding increases.

State University Funding

Revenue for the state universities typically comes from three sources: state funds, tuition and fees, and other sources (typically with specific requirements for expenditure). Since FY 2002, State General Fund appropriations for the state universities have been treated as operating, or block, grants rather than individual appropriations for specific projects. The change was made in preparation for the move to performance funding discussed above as well as to provide the universities with greater flexibility in managing their budgets.

Also approved during the 2001 Legislative Session was tuition ownership for the state universities. Prior to that time, tuition revenue was estimated. Any

House Higher Education Committee
2/16/05
Attachment 2

generally resulted in an equal reduction in the State General Fund appropriation. Beginning with FY 2002, the state universities were authorized to set their own tuition rates (with approval by the Board of Regents required) and the State General Fund adjustments based upon tuition revenue estimates were eliminated.

Community College and Washburn University Funding

The Kansas Higher Education Coordination Act passed in 1999 outlined an operating grant formula to provide state funding for the community colleges and Washburn University beginning in FY 2001. The grant amount would be calculated as an amount equal to 50.0 percent of the State General Fund appropriation for one lower-division full-time equivalent (FTE) student at a regional state university (Emporia, Fort Hays, or Pittsburg) multiplied by the higher of the community college's current or prior year's FTE enrollment. The regional institution percentage would increase by 5.0 percent each year until reaching 65.0 percent in FY 2004. Subsequent amendments modified the community college operating grant to calculate the grant based upon the total enrollment across all schools rather than on an institution-by-institution basis. The funding would then be allocated to the colleges based upon each institution's percentage of previous year state funding.

Out-district tuition is paid by a county when a student from that county enrolls in a community college which is in a different county. Prior to the passage of the Higher Education Coordination Act, the county of residence and the state would each pay the community college \$24 for each credit hour taken by that student. The Coordination Act provided that the county portion of out-district tuition would be phased out over the four years and be replaced by state aid which would be added to the operating grant. The college would receive the same funding; the source would shift from the county and state to just the state.

Only the first two years of either of these provisions have been implemented. If the formula for the Coordination Act had been fully funded, the regional institution percentage used in the funding formula would be 65.0 percent at this point. According to staff of the Board of Regents, the actual level of funding in the Governor's FY 2006 recommendation is approximately 49.0 percent. In addition, the out-district tuition should have been phased out; it currently stands at \$12 per credit hour.

One intent of the original legislation was property tax relief in the counties in which a community college is located. The Coordination Act provided that community colleges were to use at least 80.0 percent of increased state revenue (not including the replacement for out-district tuition) to reduce mill levies supporting the college. According to the Kansas Association of Community College Trustees, local taxpayers are actually paying more now for support of community colleges than prior to passage of the Coordination Act.

FY 2006 is the second year of the Governor's three-year plan to fund the Higher Education Coordination Act at the original estimates. In each of FY 2005 and FY 2006, the Governor has recommended \$8.9 million from the State General Fund. The Legislature approved the FY 2005 funding during the 2004 session and is currently deliberating the FY 2006 funding.

Postsecondary Vocational Education Funding

Technical colleges and area vocational schools receive funding from a number of sources: tuition and fees, state funds, federal funds, private donations, and revenue from the sale of items produced during instruction. The vast majority of the funding for the institutions' operating budgets

come from state or tuition revenues. Under current law, technical colleges and area vocational schools do not have taxing authority. The funding sources that are routed through the Board of Regents include the State General Fund, the Economic Development Initiatives Fund, and federal funding under the Carl D. Perkins Vocational and Technical Act of 1998.

The majority of the state funds for postsecondary students is allocated to the technical colleges and area vocational schools based upon a statutory formula. The formula sets the state portion of funding at 85 percent of local costs with the remainder funded from student tuition. The state portion of the formula has not been fully funded in recent years. According to staff of the Board of Regents, the actual level of funding in the Governor's FY 2006 recommendation is approximately 80.0 percent. The funding formula has been in effect since 1974; the Coordination Act did not address this sector of higher education financing. There is also a competitive grant process for small capital projects.

The 2003 Legislature passed SB 7 which required the technical colleges to create new governing boards. Prior to this legislation, the technical colleges were under the governance of the local school district. The new governing boards were required to facilitate accreditation. The majority of the colleges were not financially affected by the change.

Student Financial Assistance

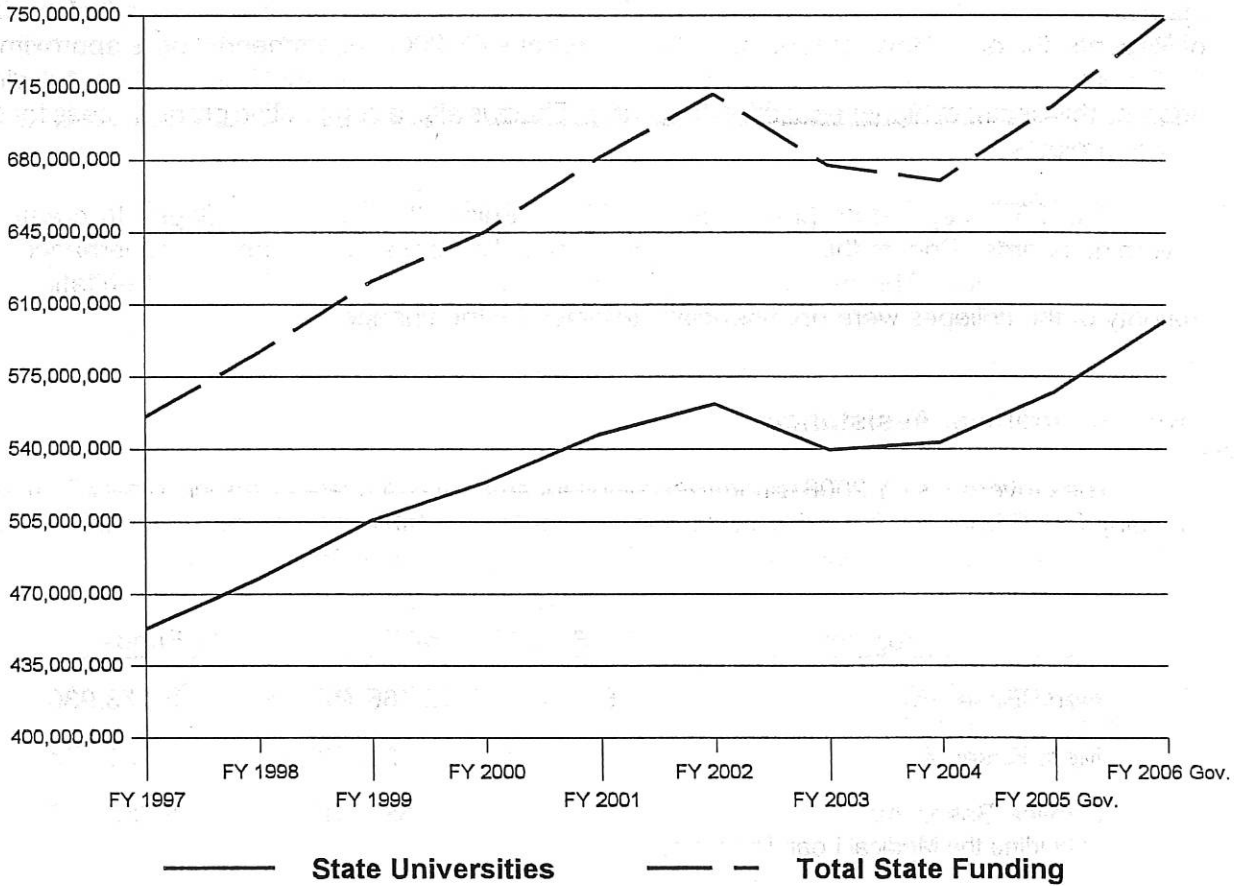
The Governor's FY 2006 recommendation for student financial assistance totals \$22.0 million including \$19.9 from the State General Fund. The following table reflects the Governor's FY 2006 recommendation for the various types of student financial assistance programs.

<u>Program</u>	<u>State General Fund</u>	<u>All Funds</u>
Need-Based Aid	\$ 15,166,462	\$ 16,173,930
Merit-Based Aid	121,275	121,275
Service-Based Aid (including the Medical Loan Program)	4,583,189	5,655,742

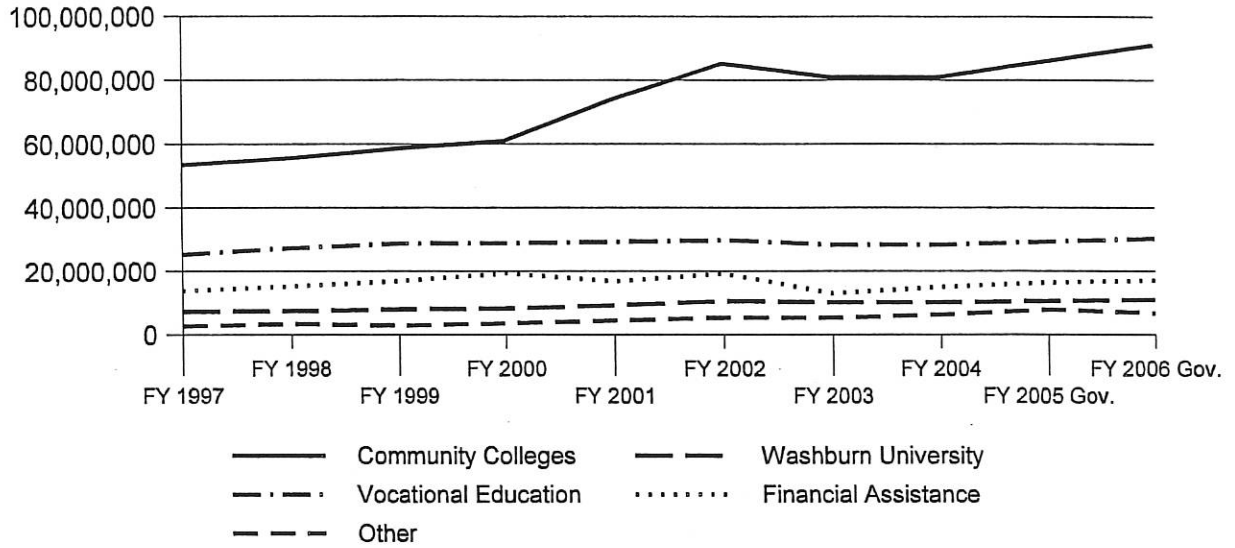
The following graphs reflect state funding (State General Fund and Economic Development Initiatives Fund) for higher education for FY 1997 through the Governor's recommendation for FY 2006.

State Funding

State Universities



State Funding Other Higher Education



Capital Improvements

Capital improvements for the postsecondary system consist entirely of buildings at the state universities. Capital improvements at the community colleges and technical colleges are funded through local means. Those buildings are not owned by the state and so, no state funds are expended for construction or maintenance.

The buildings on the campuses of the state universities comprise approximately 66.0 percent of the state building inventory. The Governor's FY 2006 recommendation for capital improvements is \$1.0 billion overall. The FY 2006 recommendation for the Board of Regents and state universities totals \$77.9 million. Improvements to buildings such as residence halls and student unions are usually paid through a bond issuance with the debt service on those bonds being paid through student fees. Parking lot maintenance is typically paid through parking fees.

Improvements to classroom or administrative buildings are typically funded through the Educational Building Fund. Revenue to this fund comes from a state-wide 1.0 mill property tax levy. Annual revenue is approximately \$30.0 million. Of that amount, half is expended each year on debt service for the "Crumbling Classrooms" bond issuance and half is expended on rehabilitation and repair projects at the universities. The funds are distributed to the universities in proportion to their total square footage.

The 1996 Legislature enacted legislation authorizing a bond issuance of \$156.5 million for capital improvement projects. This has since become known as the Crumbling Classrooms bond issuance. Two refunding issuances have raised the total amount available for projects to \$179.6 million. These projects were completed between 1996 and 2001. As was mentioned above, the debt service on the bonds totals \$15.0 million per year and is paid through the Educational Building Fund. The bonds mature in FY 2012.

The bond issuance, however, did not cover all of the projects and the buildings have continued to age in the ensuing years. According to the Board of Regents, approximately 80 percent of the buildings on the university campuses are at least 20 years old. As of the fall of 2004, the estimate to address deferred maintenance of these buildings is \$584.4 million. The table below illustrates the estimate for each campus.

<u>University</u>	<u>Estimated Total Deferred Maintenance</u>
University of Kansas	\$ 168,472,604
KU Medical Center	68,822,982
Kansas State University	209,368,613
Wichita State University	33,899,440
Emporia State University	28,877,468
Fort Hays State University	35,156,543
Pittsburg State University	39,788,560
TOTAL	<u>\$ 584,386,210</u>

The Board of Regents and the state universities are currently exploring options for funding the required maintenance, but do not have a proposal to submit to the Legislature and the Governor at this time.

Northwest Research Education Center Higher Education Financing Study

During the summer of 2004, the Northwest Research Education Center (NORED) conducted a study of higher education financing (both operating and capital) in Kansas. The results of the study were presented to the Board of Regents in November. The Board will be reviewing the recommendations and their feasibility over the course of the coming year and will have proposals to present to the Governor and Legislature for the 2006 Session.

Some of the recommendations include:

- Develop a funding benchmark based on a percentage of overall State General Fund appropriations and work to attain that level of funding incrementally.
- Restructure the funding formula for Washburn University so that it is based upon State General Fund appropriations for undergraduates rather than lower division students.
- Obtain local taxing authority for the state universities in the county in which they are located (Wichita State University and Washburn University currently receive local tax dollars).
- Revise the local tax base for the community colleges so that each county in a college's service area pays a proportional share based upon the number of students from that county enrolled in the community college.
- Institute state-wide property taxes for support of community colleges.
- Authorize taxing authority for the technical colleges with a resulting decrease in state funding to reach a 40-40-20 (local-state-student) ratio.
- Revise the distribution formula for community colleges to include address high cost programs (such as health care) and also attain a 40-40-20 funding ratio.
- Increase the property tax levy for the Educational Building Fund to address deferred maintenance issues and also to provide capital funding to the community colleges, Washburn University, and technical colleges at a 50-50 match.
- Institute a local match for capital projects at the state universities (50-50) and the other sectors of higher education (25-75).
- Increase the level of support for state-sponsored student financial assistance to that comparable with other states and expand the eligibility for need-based programs.