

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:35 p.m. on February 7, 2005, in Room 123-S of the Capitol.

Committee members absent:

Committee staff present: Deb Hollon, Kansas Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

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

Senator Schodorf called upon Reginald Robinson, Kansas Board of Regents for an overview of higher education. At the outset, Mr. Robinson discussed the mission of the Board. He explained that, to accomplish their mission, the Board needs a postsecondary education that is accessible, seamless, and accountable as it seeks to deliver superior educational opportunities for all Kansas citizens. He went on to discuss several points listed under each of the following headings in his written testimony: Access, Seamlessness, and Accountability. In addition, he reviewed the following Board of Regents 2005 legislative proposals which were outlined in his testimony:

- Interest ownership on university funds, **SB 73**,
- Alternative civil service, "University Support Staff," **SB 74**,
- Continuation of Kan-ed funding through Kansas Universal Fund, **HB 2026**,
- Repeal community college education contract language, **SB 9**,
- Modifications to the Regents' system retirement plans, **SB 99**,
- Modifications to the Regents' phased retirement program, **SB 99**, and
- Elimination of the \$1 million Research Foundation Capital Improvement project cap, **SB 8**.

In conclusion, Mr. Robinson discussed the Board's reaction to the Governor's FY 2006 budget proposal with the aid of a chart on the last page of his handout entitled, "Kansas Board of Regents FY 2006 Unified Budget Request for State Appropriations Compared With Governor's Recommendations." He pointed out that the figures in the first column showed what in various categories the Board of Regents and its institutions received for FY 2005, the figures in the second column showed the requests submitted by the Board of Regents for FY 2006, and the figures in the final column showed what the Governor recommended in her proposal. He noted that, although the Board does not feel that the Governor's budget meets all needs, it believes it is fair. (Attachment 1)

Senator Schodorf called the Committee's attention to the minutes of the February 1 and 2 meetings.

Senator Steineger moved that the minutes of the February 1 and 2 meetings be approved, seconded by Senator Ostmeyer. The motion carried.

The meeting was adjourned at 2:15 p.m.

The next meeting is scheduled for February 8, 2005.



KANSAS BOARD OF REGENTS

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**Testimony Before the Senate Education Committee
February 7, 2005**

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

Good afternoon Madame Chairman and Members of the Committee. I am pleased to have this opportunity to speak with you this afternoon. In my time here with you today, I hope to: (1) provide an overview regarding the work of the Kansas Board of Regents; (2) describe some of the Board's key legislative initiatives for the current session, and; (3) outline our reaction to the higher education aspect of the budget Governor Kathleen Sebelius has proposed for Fiscal Year 2006.

Overview

The mission of the Kansas Board of Regents is to advance quality of life, promote economic vitality, create and preserve knowledge, foster respect for diversity and enrich the culture of Kansas by delivering superior educational opportunities for all citizens, so they may reach their greatest potential.

Our challenge is to build and support a system of postsecondary education that has the capacity to accomplish that mission.

To accomplish that mission, we need a system of postsecondary education that is accessible, seamless, and accountable as it seeks to deliver those superior educational opportunities for all of our state's citizens.

Access

- Delivery of baccalaureate completion programs to Western Kansas – implementation of Access US initiative.
- Key support for the enactment of HB 2145, which generally enables qualified Kansas high school graduates to attend our institutions at in-state rates, regardless of their immigration status.
- Use of tuition dollars to expand institutional need-based financial aid.

*Senate Education Committee
2-7-05
Attachment 1*

- Community colleges have worked hard to keep tuitions at manageable levels to preserve access to that vitally critical sector of our postsecondary system.
- I'll say a bit more about the "performance agreements effort" later, But I wanted to note that as the Board considered proposed institutional performance agreements, those proposals reflected a profound focus on expanding access into our institutions, especially from underrepresented populations.
- Because we believe that access is so important, we are pleased that the Governor's proposed budget recommends a \$1 million increase in funding for the comprehensive grant program – the state's need based financial aid program.

Seamlessness

- Wide span of KBOR activity from GED testing, to Adult Basic Education, and work certificates on the one hand to Associate degrees, Baccalaureate degrees, Doctoral degrees, and research activity leading to technology transfer on the other.
- Focus on moving folks smoothly between and among those various activities as appropriate.
- Implementation of Senate Bill 7 – independent governance for the state's technical colleges, and movement toward NCA-HLC accreditation for those institutions.
- Increased focus on workforce and economic development issues.
- Reviewed and revised service area policy to enhance capacity to support and participate in the state's newly-developed "Kansas First" workforce development and training strategy.
- Significant progress in the development and implementation of the postsecondary database – first "live" data collection of unit record student and enrollment data.
- Delivery of baccalaureate completion programs to Western Kansas – implementation of Access US initiative.
- Adoption of transfer policy – providing a framework to enhance the capacity of students in our system to move more easily from institution-to-institution, and from sector-to-sector as their needs and aspirations require.
- K-12 to Postsecondary transition – looking to work jointly with the KSDE on these important issues. P-16 and Beyond.

Accountability

- Implementation of Senate Bill 647 performance agreements initiative – increased performance and accountability for higher education in Kansas.
- Engaged in audit/financial accountability review of institutions and adopted financial accountability provisions for Regents institutions.
- Renewed focus on English language proficiency within our state universities.

As the Governing Board for the state's universities, the Board also has a special responsibility to lead the effort to build upon the Excellence of Those Universities

- Success in obtaining administrative relief for the state's universities – use of state printer is now optional, bidding requirements and procedures have been reformed, and provisions related to certain administration fees have been adjusted. There is more to do, but there has been significant progress.
- Moving forward to advance the work of the University Research and Development Enhancement Corporation.
- Provided key support leading to the enactment of the Kansas Economic Growth Act, which creates a new Kansas Bioscience Authority that holds significant promise of increased support for bioscience related research at our universities, and economic development for our state.
- Continuing the movement toward full adoption of the “operating grant/tuition ownership” funding model for our state universities.

KBOR 2005 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 State 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 Board of Regents proposes 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.

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.

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.

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.

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.

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.

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.

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.

**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%