

## MINUTES OF THE HOUSE HIGHER EDUCATION COMMITTEE

The meeting was called to order by Chairman Everett Johnson at 3:30 P.M. on January 30, 2006 in Room 231-N of the Capitol.

All members were present except:

Representative Carl Krehbiel- excused  
Representative Tom Sloan- excused

Committee staff present:

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

Conferees appearing before the committee:

Katrin Osterhaus, Legislative Division of Post Audit  
Reginald Robinson, President and CEO, Kansas Board of Regents  
Representative Otto  
Mary Prewit  
David Shulenberg, Provost, University of Kansas

Others attending:

See attached list.

Chairman Johnson called the meeting to order and introduced Katrin Osterhaus, Legislative Division of Post Audit, to brief the committee on the Performance Audit Report for Regents Institutions: Reviewing Proposals for Increased Maintenance Funding at the State's Colleges and Universities. She reported that there is a serious maintenance backlog that exists on state university campuses due primarily to a lack of funding and the age of the buildings. Reginald Robinson, President and CEO of the Kansas Board of Regents, provided a response to the audit. He noted that the Board of Regents is pleased with the content and findings of the report. (Attachment 1)

The floor was opened for questions and Representatives Otto, Carlin, Huff, Pottorf, Storm, and Hill asked questions.

Chairman Johnson opened the hearing on:

**HB 2603 - Tuition for Kansas high school graduates after military service.**

Art Griggs, Office of the Revisor, provided a short explanation of the bill. He noted that the bill deals with in-state tuition rates at the Regents universities. Specifically, a person who lived in Kansas and entered the military service within six months of graduation from a Kansas high school, and enrolled in a state university within a year of being honorably discharged from military service, the person would qualify for in-state tuition instead of out-of-state tuition.

Chairman Johnson welcomed Representative Otto to testify as a proponent of **HB 2603**. Representative Otto noted that he believed that this problem was fixed last session but apparently it has not been. He suggested that individuals in the military should not be penalized for moving away from Kansas for military service. (Attachment 2)

A number of questions were raised regarding the tendency for military individuals to change their home state on record to avoid paying state taxes. Representatives Krehbiel, Huff, Horst, Storm, Carlin, Phelps, and Sharp voiced concern on this issue.

Chairman Johnson welcomed Mary Prewitt, General Counsel of the Kansas Board of Regents, to provide neutral testimony regarding **HB 2603**. She noted that most Kansas individuals in the military are protected by the statutes already in the books. (Attachment 3) She asked the committee if it was okay for an individual to take an affirmative action to make some other state their residence—likely for the purpose of avoiding the

CONTINUATION SHEET

Minutes of the House Higher Education Committee at 3:30 P.M. on January 30, 2006 in Room 231-N of the Capitol.

payment of income taxes—to come back to Kansas and enroll as a resident at resident rates.

Chairman Johnson closed the hearing on **HB 2603** and opened the hearing on:

**HB 2593 - State board of regents; procurement of health insurance for students at state educational institutions.**

Art Griggs, Office of the Revisor, gave a brief description of the bill. Chairman Johnson drew the committee's attention to written testimony submitted by the Kansas Board of Regents in support of **HB 2593**. (Attachment 4)

Chairman Johnson welcomed David Shulenberger, Provost, University of Kansas, as a proponent of **HB 2593**. He argued that the Board of Regents is better able to secure health care insurance for students at Regents universities than are the multiple agencies now doing so. (Attachment 5)

Questions were asked by Representatives Horst and Otto.

Chairman Johnson closed the hearing on **HB 2593** and adjourned the meeting at 5:05 p.m. The next meeting is scheduled for February 1, 2006 at 3:30 p.m. in Rm. 231-N.

HOUSE HIGHER EDUCATION COMMITTEE GUEST LIST

DATE 1/30/06

NAME	REPRESENTING
David Schulerburger	U of Kansas
Jeannette Johnson	Univ. of Kansas
Leo Hefner	Legislative Post Audit
Karl Oshro	" " "
Mutter Lynn	Pinegar, Smith & Associates
Edward [unclear]	City of Topeka - Kansas Water
Howard Smith	Pittsburg State <del>Environment Ass'n</del>
DANIEL MAGILL	KATA
LARRY MAGILL	KATA
Lannie Ann Lower	KATA
Kip Peterson	KBOR
Reggie Robinson	KBOR
Justin Ross	KACCT
[unclear]	KU
Kelli [unclear]	KU
RUSSELL MILLS	GACHES
M. Kelly	DIA
Charlie Dower	KU - intern for Rep. Pottorff



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House Higher Education Committee  
January 30, 2006

*Regents Institutions: Reviewing Proposals for Increased Maintenance Funding at the State's Colleges and Universities*

Reginald L. Robinson, President & CEO  
Kansas Board of Regents

To begin, thank you for the opportunity to respond to the Legislative Division of Post Audit's report, *Regents Institutions: Reviewing Proposals for Increased Maintenance Funding at the State's Colleges and Universities*. We have reviewed the report and are generally pleased with its content and findings. We believe that given the scope of the audit and the amount of time allotted to complete it, the report provided a fair representation of the 1996 "Crumbling Classrooms" initiative and the Board's 2004 *Report on State University Deferred Maintenance and Capital Renewal*.

We appreciate that the Post Audit staff faced a steep learning curve as they sought to develop a clear understanding of both past and present initiatives, as well as broad issues related to higher education and capital budgeting in general. The report is nonetheless well-informed, objective, and balanced in its characterization of the state university deferred maintenance issue. This reflects great credit upon the Post Audit staff, who we have interacted with on a number of audits recently, and who we have repeatedly been impressed with. We definitely appreciate the continued professionalism, thoroughness, and objectivity they bring to their difficult assignments.

This audit essentially echoes what the Board, many state legislators, and the Joint Building Committee in particular have said for years, that a dangerous maintenance backlog exists on our state university campuses. An important conclusion of this audit is that the 1996 "Crumbling Classrooms" initiative, which provided an important short-term funding solution, did not represent new state funding. As the audit notes, this initiative allowed the Board of Regents to borrow money from an existing statewide property tax levy, the Educational Building Fund (EBF). While the initiative provided a short-term remedy, borrowing from the EBF, which will continue through fiscal year 2012, has significantly reduced the amount available for ongoing building maintenance. In addition, the audit highlights the fact that even with the benefit of "Crumbling Classrooms," nearly ten years later many of the same buildings addressed through that effort now require major repair or rehabilitation.

In 2004, the Board of Regents submitted a *Report on State University Deferred Maintenance and Capital Renewal* to the Legislature. This report, which was the product of a comprehensive facilities audit performed by Board staff and a private facilities management

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Attachment 1

consultant, outlined the important maintenance needs on the six state university campuses. The report identified a maintenance backlog of \$584 million that continues to grow. It is important to note that this estimate is generally believed to be conservative and this audit also reflects that sentiment. The report also indicated that \$74 million per year is required, without factoring inflation, to adequately maintain the university campuses. Because of current EBF obligations, only \$7 million was available in fiscal year 2005. If the problem is not addressed, the \$584 million backlog will grow to nearly \$800 million by fiscal year 2014. The audit outlines the methodology and conclusions contained in the Board's 2004 report and notes that \$95 million is needed to address maintenance and repair issues for the buildings rated as "poor" or "unsatisfactory."

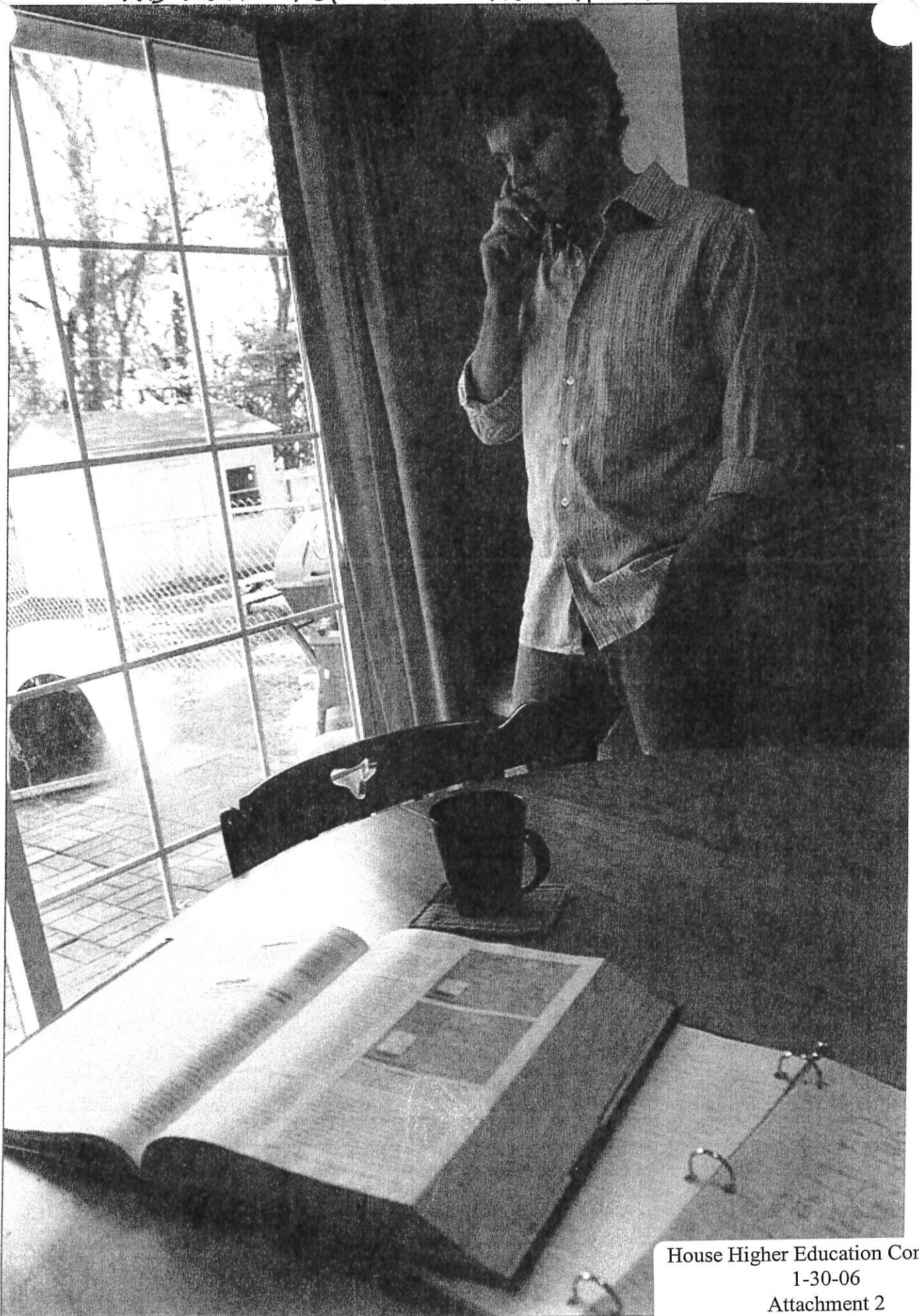
The 2004 report notes that the primary factors leading to the current state of deferred maintenance is a lack of funding coupled with the age of the buildings. Eighty percent of the total building inventory is at least 20 years old. Heating, ventilation, electrical and plumbing systems, if they have 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 – an issue that any homeowner can identify with.

Two out of every three buildings that the State of Kansas owns can be found on the six state university campuses. The 537 educational and general buildings studied in the Board's 2004 report exclude auxiliary facilities such as residence halls, student unions and parking garages. These 537 buildings represent 20 million square feet that are sited on 2,250 maintained acres. To put this amount of space into perspective, 20 million square feet is the equivalent of 350 football fields. The replacement value of these buildings, including utilities and infrastructure, is \$3.9 billion. The valuable infrastructure we are fortunate to have in place must be properly maintained. Any homeowner knows that routine maintenance and repairs only get more expensive the longer they are put off.

It is important to note that this deferred maintenance 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.

In November 2005, the Board adopted a comprehensive plan to address the growing deferred maintenance backlog and to protect valuable state assets. This multi-pronged approach includes a temporary sales tax increase, a bond issue, an increase in the statewide Educational Building Fund mill levy, and new campus administrative practices that will alleviate future maintenance obligations. The Board certainly recognizes the difficulties this proposal faces, but we are encouraged by the fact that many legislators are concerned and increasingly interested in this growing problem. The Board simply serves as the landlord for buildings that are owned by the Legislature and the people of Kansas. As any homeowner knows, this problem only grows more expensive the longer it is ignored.

Mr. Chairman, again, thank you for the opportunity to respond to this important report. We appreciate Post Audit's serious and professional approach to this work.



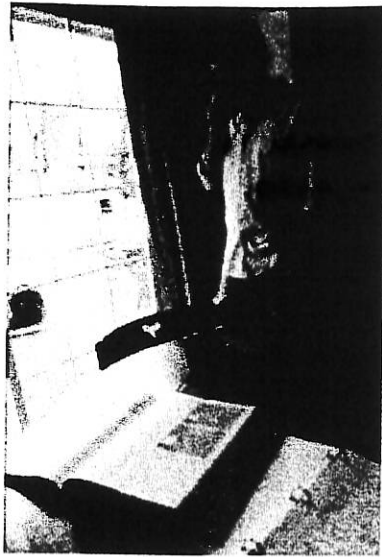


Photo by Mike Yoder

Brian Depperschmidt studies for a KU biology class at his home in Lawrence.

Depperschmidt was born and raised in Kansas and left only when he had to for military service. He and his wife returned to their home state this year and were surprised to find that Brian did not qualify for in-state tuition.

Brian Depperschmidt was born and raised in Kansas and left the state for naval service. Now that he's returned six years later, the Wichita native is disappointed to discover he doesn't qualify for in-state tuition at Kansas University.

"It's just kind of frustrating because the only time we lived elsewhere was because we had to," his wife, Erin Depperschmidt, said.

KU's in-state tuition is \$2,412 for a 15-hour course load, while nonresident tuition is \$6,638.

Brian Depperschmidt enrolled for the fall semester, paying the more expensive nonresident rates. But he's applied for residency status, though he said he's not optimistic he'll get it. If he doesn't, he plans on appealing the decision.

"It's kind of unfortunate," he said. "It's no different than somebody whose business takes them away for a short period of time and then comes back."

There are several basic residency requirements. A student must live in Kansas for a year before attending KU, rely on Kansas sources of support and intend to make Kansas a permanent home.

"The only way that I would know if the student would get in-state rates is if they apply," said Renee Wiesner, assistant university registrar at KU. "When a student applies for in-state rates, all of their circumstances are taken into consideration."



Photo by Mike Yoder

Brian Depperschmidt studies for a KU biology class at his home in Lawrence.

Depperschmidt was born and raised in Kansas and left only when he had to for military service. He and his wife returned to their home state this year and were surprised to find that Brian did not qualify for in-state tuition.

Wiesner said there were many factors, including how long a student was out of state,

whether the student paid taxes in Kansas and whether the student has a Kansas driver's license.

Depperschmidt was in Florida before returning to Kansas. In Florida, he bought a home, registered to vote and received a Florida driver's license. In the eyes of KU officials, that made him a resident of Florida, not Kansas.

Appealing is not unheard of. About 50 students appeal residency decisions each year, Wiesner said. An appeal is taken up by a committee of faculty and staff. If that committee does not decide in a student's favor, then the next recourse is the courts.

Kansas allows in-state tuition for active military members stationed in Kansas and their families. The families can continue to hold residency status when the military member is reassigned out of the state or country. And there are other accommodations that apply to active military members.

Depperschmidt left active duty before returning to Kansas.

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**House Higher Education Committee  
January 30, 2006**

**Testimony Regarding HB 2603**

**Mary Prewitt, General Counsel  
Kansas Board of Regents**

Good afternoon Mister Chairman and Members of the Committee. I am pleased to have this opportunity to speak with you this afternoon. I am here today to provide you with an overview of House Bill 2603.

This legislation would add a new class of persons who would be entitled to pay an amount equal to resident fees at one of the six state universities. The class would consist of individuals who:

- Graduated from a Kansas high school;
- Entered military service within six months of high school graduation;
- Were honorably discharged from military service; and
- Enroll in a state educational institution (i.e., Emporia State University, Fort Hays State University, Kansas State University, Pittsburg State University, the University of Kansas, or Wichita State University) within one year of their discharge.

The provision is made retroactive to July, 2005.

Most Kansas residents who meet the requirements set out in the statute would be entitled to resident tuition in Kansas without the enactment of this statute. Under the federal Servicemember's Relief Act, military service, in and of itself, does not operate to establish residency in some other state (or country) (50 U.S. Code App. 571). A person who attended and graduated from high school in Kansas, entered the military, retained Kansas as the home of record, and then returned to Kansas within a year of discharge without taking some other affirmative action to establish a residence outside of the state would still be a Kansas resident, entitled to pay resident fees under the general provisions of K.S.A. 76-729(a). This bill would likely only affect a very small number of individuals who fit into one of two descriptions:

1. They were not Kansas residents prior to entering the military; i.e., they had not lived in Kansas for a year, even though they had graduated from a Kansas high school, or
2. They made some affirmative effort while enlisted in the military to establish a residence in another state.

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Attachment 3

**Testimony to House Higher Education Committee**  
**Mary Prewitt, Kansas Board of Regents**  
**HB 2603 January 30, 2006**

Military personnel are required to declare a legal domicile for tax purposes. Most service members list the state in which they were living at the time they entered military service as their legal domicile. Federal law prevents any other state to which a service member is then assigned by military orders from assessing income tax against the service member's military pay. It is not unusual, however, for some personnel to later change residence to a state that does not have an income tax, thereby avoiding the payment of income taxes to their original state of residence. A person who declares some other state to be their legal domicile while in the military would have taken affirmative steps, including changes to military finance records, inconsistent with the intent to make Kansas their permanent residence as required by the basic provisions of K.S.A. 76-729. This bill would allow those individuals to pay an amount equal to resident fees although they had affirmatively avoided the payment of Kansas income taxes while in military service.

A recent case publicized in the news illustrates this situation. An individual who had graduated from a Kansas high school enlisted in the military and later declared Florida to be his home of record. While living in Florida, he also purchased a home. However, within a year of military discharge, he returned to Kansas and sought to enroll at the University of Kansas. Since he had affirmatively declared Florida to be his home of residence and had purchased a home there, he was determined by the KU Registrar not to meet the basic requirement of "domiciliary residence," i.e., intent to make Kansas his permanent home. This proposed bill, including its retroactive provision, would make this individual eligible to pay an amount equal to resident fees.

In summary, most Kansas residents who serve in the military would not need the benefit of this bill in order to be determined residents for fee purposes at the six state universities. Only those individuals who had not been residents of Kansas prior to enlisting in the military or who had taken affirmative measures to establish some other state as their home would benefit from the bill.

Again, thank you for the opportunity to comment. I would be happy to answer any questions.



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January 30, 2006

Representative Tom Sloan  
Chairman  
House Higher Education Committee  
Statehouse, Room 446-N  
Topeka, KS 66612

Representative Sydney Carlin  
Ranking Member  
House Higher Education Committee  
DSOB  
Topeka, KS 66612

Dear Chairman Sloan and Ranking Member Carlin:

On behalf of the Board of Regents, I write to you to express the Board's support for House Bill 2593. This legislation would enable the Board to procure health insurance for all students of the state universities, including Graduate Teaching Assistants (GTAs) and Graduate Research Assistants (GRAs), and to set an employer contribution towards coverage for eligible GTAs and GRAs.

House Bill 2593 is the result of a proposal that the University of Kansas (KU) brought before the Board of Regents for consideration this past fall. The Board endorsed KU's proposal in November 2005, and it was subsequently introduced by the Legislative Educational Planning Committee.

The State Employee Health Care Commission (HCC) is the entity charged with procuring health insurance for state employees, including student employees (e.g., GTAs and GRAs). HCC has procured one plan for all students, known as the Statewide Student Insurance Plan. Any student attending a state university may choose to participate in this plan, and for eligible GTAs and GRAs who choose to participate in the plan, the state university pays an employer contribution.

State universities have experienced some dissatisfaction with this arrangement. The institutions have maintained that they could procure a health insurance plan that would provide better benefits for students than the plan HCC has made available. In attempting to provide alternative insurance choices to their students, KU, KUMC, FHSU, and WSU have utilized student groups on campus to procure additional health insurance choices, because neither the Board nor the universities can do so in their own right. The Board of Regents' State University Council of Presidents recommended that legislation be proposed that would provide the Board authority to procure health insurance for students instead of the HCC. Additionally, the Board seeks authority to determine and establish the employer contribution for eligible GTAs and GRAs who would participate in the Board plan.

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Attachment 4

This legislation could produce cost savings to the state universities if the health plan secured has lower premiums. Students will benefit if the Regents can procure better coverage at lower premiums.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Reginald L. Robinson". The signature is written in a cursive style with a large initial "R".

Reginald L. Robinson  
President and CEO

# The University of Kansas

Office of the Provost

House Higher Education Committee Testimony  
January 30, 2006

David Shulenburg, Provost, University of Kansas

The Kansas Board of Regents is seeking statutory authority to acquire health insurance for all students, including those students who are employed as graduate teaching assistants and graduate research assistants.

Currently no entity has exclusive authority to obtain health insurance for students of Regents institutions.

The State Health Care Commission has exclusive authority to obtain insurance for graduate teaching and research assistants because they are employees of the State and the Health Care Commission has exclusive authority to obtain health insurance for all State employees. The Health Care Commission also obtains a health insurance policy that any student may buy but it does not have exclusive statutory authority to do so.

Student Government Associations at KU-Lawrence, KU Medical Center, Wichita State University, Fort Hays State University, and perhaps other schools have obtained in the past or now obtain alternate insurance for non-employee students. The KU Center for Research acquires health insurance for international students at KU and other entities undoubtedly acquire insurance for groups of students elsewhere.

Thus there are multiple entities obtaining student health insurance for students in Kansas universities. The result is that buying power is divided, resulting in higher premiums.

In addition, the needs of students for health insurance vary widely depending upon student population characteristics. Student government associations have bid insurance policies for students at their institutions because they judged that the policy obtained by the Health Care Commission has not adequately addressed those needs.

Here are the some of the categories of students with unique needs:

1- International Students at all Regents Schools. Five of the six Regents schools require that international students have comprehensive health insurance. (It is my understanding that this coming fall, the sixth Regents university, KSU, will also have this requirement.) The common experience is that international students, left to their own devices, will attempt to save money by not buying health care insurance or else they come from societies that provide state health insurance and do not understand that our society does not do so. The universities and the

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hospitals and doctors that serve them have been left with large, uncollectible bills when health care emergencies arose, especially if the students returned to their home countries. Thus we ultimately have chosen to require purchase or proof of comprehensive health insurance from international students.

2- KU Medical Center Students. Medical School accreditors strongly recommend that medical students have comprehensive health care insurance. The quality of the available health insurance has always been an expressed concern of students during previous accreditation visits. This year, the Student Governing Council offered a more comprehensive policy as an alternative to the State plan. For the first time, student health insurance did not receive negative comments in the accreditation process.

3- Graduate students or adult undergraduate students. Typically, these students cannot be covered under their parents' policies due to their age. They have adult medical needs and require modestly priced but reasonably comprehensive insurance.

4- Undergraduates at Regents institutions who may not be covered by parent policies. This is a reasonably healthy population, but these students still require some level of protection from health care debt. This not only prevents financial hardship, but also improves their chances of staying in school and completing their educations.

The primary responsibility of the State Health Care Commission is to obtain comprehensive medical insurance that meets the needs of eligible employees and their families from young adulthood through retirement. Student health care insurance is a niche market. For this reason the HCC has obtained student health care insurance in a bid separate from those for other adult state employee health care plans. The firms that bid on student insurance are also niche firms. MEGA and SAS have bid on the student policy while firms like Blue Cross/Blue Shield and Aetna have not.

The HCC is not as attuned to student health care needs as are campus personnel. The HCC is not as able to negotiate across the seven campuses for a policy that meets all the niche student needs, as would the Regents office.

If the proposed bill were passed:

- Permits Regents to bid and acquire health insurance for all students, including those in the GTA/GRA employment categories.
- The Regents would develop an RFP with the assistance of the campuses that would have insurance vendors bid on a policy with various options to fit the niche markets described above.
- The Regents would be able to do this without adding employees or overhead costs by utilizing campus personnel to develop the RFP and administer the policies.
- The cost of the insurance would be borne by the student purchasers or, in the case of GTA/GRA employees, a portion of it would be borne by the universities, as is currently the case.
- There would be no loss of buying power to the HCC, as students were kept in a pool separate from other State of Kansas employees for which they bid insurance.

We believe that the needs of the various niche markets would be better served at lower cost than under the multiple-bid situation that prevails currently.

This is important to the Regents and the six universities. For competitive reasons we need to offer students appropriate insurance at reasonable costs.

Last fall, Regent Greer took an unannounced walk across the KSU campus, stopping students and asking them whether they had any problems. Two of the students he encountered were graduate students and both volunteered that health insurance was a problem. One told him that he would not have come to KSU if he had known in advance how poor the insurance would actually be for Graduate Teaching Assistants. He relayed that his insurance did not cover cancer treatment and that he lived in fear of financial ruin if he were to contract cancer. The policy he was describing is the basic policy offered by the HCC for GTA/GRA student employees.

The Kansas Board of Regents proposes a means of acquiring insurance that would address these problems in an economical manner while providing to students the kind of health insurance they need and desire.