

MINUTES OF THE HOUSE HIGHER EDUCATION COMMITTEE

The meeting was called to order by Vice Chairman Everett Johnson at 3:30 P.M. on March 1, 2006 in Room 231-N of the Capitol.

All members were present except:

Representative JoAnn Pottorff- excused
Representative Sue Storm- 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:

Theresa Klinkenberg, Chief Business and Financial Planning Officer, University of Kansas

Others attending:

See attached list.

Chairman Johnson opened the hearing on **SB 332 - Authorizing regents' institutions to acquire insurance.** Theresa Klinkenberg, the Chief Business and Financial Planning Officer at the University of Kansas, was welcomed to the committee to testify as a proponent to **SB 332.** (Attachment 1) She spoke on the importance of allowing the Board of Regents and universities to insure property that is critical to a university's mission that could not be replaced if lost or damaged. She sited a fleet of equipment maintained by the Kansas Fire and Rescue Training Institute as an example of equipment that would be cost prohibitive to replace if something were to happen to it.

Chairman Johnson drew the committee's attention to written testimony presented by the Kansas Board of Regents in favor of **SB 332** (Attachment 2) and opened the floor to questions. Questions were asked by Representatives Phelps and Otto.

Chairman Johnson adjourned the meeting at 3:45 p.m. The next meeting is scheduled for March 6, 2006 at 3:30 p.m. in Rm. 231-N.

The University of Kansas

House Higher Education Committee

Hearing on SB 332

Business and Financial Planning

February 2, 2006

Testimony of Theresa Klinkenberg
Chief Business and Financial Planning Officer
University of Kansas

Chairman Sloan and members of the Committee, I am Theresa Klinkenberg, Chief Fiscal Officer for the University of Kansas. I appreciate the opportunity to speak today in favor of Senate Bill 332 which provides Regents institutions the flexibility to determine what kind of insurance is necessary and procure that insurance without specific statutory authorization.

As many members of this committee know, in 2002 the business officers from the Regents universities made a comprehensive study to identify areas where modifications of state laws, policies or procedures would result in administrative efficiencies and cost savings. The recommendations produced by this study were presented to the Governor and the Department of Administration, and Legislature.

I want to thank this committee in particular for the strong support you provided to enact a number of bills and support other changes in policies and business practices at that time.

Examples of changes enacted based on the 2002 study included:

- full pre-audit authority was delegated to the universities,
- surplus property procedures were modified to allow for local disposition of surplus property,

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Attachment 1

- local option printing was authorized, and
- the fee structure in the Division of Facilities Management was revised.

We believe each of these changes have been successful and have allowed for more efficient operations at the campuses and in central offices.

In the spirit of continuing the process started in 2002, this year the Universities and Regents have made several additional proposals to improve administrative efficiencies and business practices. SB 332 is one of those initiatives, and is proposed to you today for that purpose.

The Universities have grown over time and have acquired significant assets that are critical to their educational and research missions. Under current law, a university must have specific authority to insure those assets. Housing facilities can be insured under specific statutory authorization, some buildings and contents can be insured if there are revenue bonds outstanding or if required by a Federal grant. The current law restricts the Board of Regents and Universities from insuring other property – property that may be critical to a university’s mission that could not be replaced if lost or damaged.

For the Committee’s consideration, I would like to provide a couple of examples. The Kansas Fire & Rescue Training Institute that is operated through the Division of Continuing Education at the University of Kansas is required to maintain a fleet of equipment in order to fulfill the mission assigned by KSA 76-327 that requires a “traveling instructional service” for the fire departments in Kansas. The equipment

owned by the Institute has a replacement value of over \$1 million – a Live Fire Training Simulator, a Search and Rescue Trainer, a Propane Gas Fire Fighting Trainer and others. If any single unit were lost through an accident, replacement from existing funding levels would be extremely difficult if not impossible.

The University has invested heavily in research equipment in recent years – an 800 megahertz Nuclear Magnetic Resonance Imaging system, a proteomics analyzer and other equipment that is critical to cancer and biosciences research. Some of this equipment is insured because the bonds that financed their purchase are still outstanding. When those bonds mature in a few years, however, the University will not have the authority to insure the equipment and will risk losing several millions of dollars in research grants if the equipment is damaged and cannot be replaced.

SB 332 allows the Board of Regents and institutions to determine based on risk assessment and a cost/benefit analysis, what equipment or liability to insure without seeking further legislative authorization.

Thank you for your time this afternoon. I would be happy to answer any questions.



KANSAS BOARD OF REGENTS

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March 1, 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
Statehouse, Room 521-S
Topeka, KS 66612

Dear Chairman Sloan and Ranking Member Carlin:


On behalf of the Board of Regents, I write to express the Board's support for Senate Bill 332. This legislation would allow the state universities, on a campus-by-campus basis, to determine their insurance needs and to purchase insurance, other than employee health insurance, independently of the Committee on Surety Bonds and Insurance. The legislation would require that the insurance be purchased from an insurance company authorized to do business in Kansas.

Senate Bill 332 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 for legislative consideration by the Legislative Educational Planning Committee. Senate Bill 332 was approved by the Senate Education Committee on February 8 and by the Senate in a 39-0 vote on February 16.

In 2002, the State University Council of Business Officers conducted a comprehensive study to identify areas for relief from state administrative procedures that could result in administrative efficiencies. As a result of this study, and with the cooperation of the Department of Administration, a number of statutes and business practices were changed. Senate Bill 332 was introduced in the spirit of continuing this valuable effort to identify and implement best business practices.

Thank you for your consideration.

Sincerely,


Reginald L. Robinson
President and CEO

House Higher Education Committee
3-1-06
Attachment 2