

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:40 p.m. on March 20, 2006, 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: David Shulenburg, Provost, University of Kansas
Dorothy Knoll, Ph.D., Dean of Students, University of
Kansas Medical Center
Clay Morris, medical student, University of Kansas
Jim Ploger, Director, Kansas Energy Office, Kansas
Corporation Commission
Dale Hahs, President of Custom Energy

HB 2593—State Board of Regents; procurement of health insurance for students of state educational institutions

David Shulenburg, Provost, University of Kansas, testified in support of **HB 2593**. He explained that the Board of Regents was seeking statutory authority to acquire health insurance for all students, including those who are employed as graduate teaching assistants and graduate research assistants. He noted that, currently, no entity has exclusive authority to obtain health insurance for students at Regents institutions. There are multiple entities obtaining student health insurance for students in Kansas universities. As a result, buying power is divided and premiums are higher. He noted that the needs of students for health insurance vary widely (international students, K.U. Medical Center students, graduate students or adult undergraduate students, and undergraduates who may not be covered by parent policies). The Board of Regents believes that, with passage of the bill, the needs of the various niche markets would be better served at a lower cost than under the multiple-bid situation that currently prevails. He emphasized that, for competitive reasons, students need to be offered appropriate insurance at reasonable costs. (Attachment 1)

Dorothy Knoll, Ph.D., Dean of Students, University of Kansas Medical Center (KUMC), testified in support of **HB 2593**. At the outset, she introduced Clay Morris, a second year medical student at KUMC and a co-president of the KUMC Student Governing Council. She went on to say that adequate, affordable health insurance is important to all university students, especially KUMC students who must have health insurance in order to meet accreditation requirements. She noted that, for the most part, students do not work at full-time jobs while they are in school and are unable to secure employer provided health insurance, and many students find it nearly impossible to buy individual health insurance due to the high cost. In addition, she noted that the average age of KUMC students is 28; therefore, most students are no longer eligible to be on their parent's health insurance policy. She informed the Committee that the KUMC Student Governing Council and the KU Student Senate had explored the student secured plan which offers an opportunity for a more comprehensive policy at a reasonable cost with improved benefits. She urged the Committee to support **HB 2593** to allow state educational institutions such as KUMC to procure health insurance for students. (Attachment 2)

Senator Schodorf called attention to written testimony in support of **HB 2593** submitted by Reginald L. Robinson, President and CEO, Kansas Board of Regents. (Attachment 3)

Clay Morris stated that the proposed student plan not only addresses the needs of the students, it does so without disadvantaging anybody else on the state plan. He commented, "You've heard testimony before, is this going to dilute pools, the healthy individuals. It's not going to do that. And, more to the point, I don't have the student plan. And the reason I don't have the student plan is, I am 28, and at the time to take state plan out, it wouldn't have been a wise choice for me. Being in a medical field just at an educational level right now, it would not make any sense for any student to take that plan out because of just the risk. It wouldn't be worth finding the extra money through the limited student budget to go ahead and cover the cost

CONTINUATION SHEET

MINUTES OF THE Senate Education Committee at 1:40 p.m. on March 20, 2006, in Room 123-S of the Capitol.

for the 'just in case,' for the 'just in case' you have a \$14,000 medical bill. I worked for a couple of years so I'm fortunate enough to have a little bit of money saved up to actually purchase that plan, but the private insurance that I have is so much more encompassing to not only accidents but existing conditions that I have and also just existing conditions that many other 28 year olds have. Yes, young people are very healthy, but we also do have more accidents more often than not, and there are specific situations when people do incur medical problems and hospitalizations. The ability for the students, more specifically the Board of Regents, to negotiate a plan specifically for the students instead of having the state negotiate plans with different priorities for different institutions, not only state employees but the students as well. Just looking at the state plan, I'm not sure that the students were the number one priority in getting that plan. Quite frankly, it's a horrible plan. I would not want to take that out for anybody, especially if you look at the exact same company we have our new plan through. So I would just really like to encourage you to support this bill."

Senator Vratil asked who the carrier for the new student plan would be. Dr. Knoll responded, "Student Resources, the same company that is the provider for the state plan."

There being no others wishing to testify, the hearing on **HB 2593** was closed.

HB 2602—Energy conservation project financing for technical and community colleges

Jim Ploger, Director of the Kansas Energy Office at the Kansas Corporation Commission, testified in support of **HB 2602**. He noted that the bill made a few minor adjustments to K.S.A. 75-37,125 dealing with conservation projects in public buildings. He went on to explain that the Facility Conservation Improvement Program (FCIP) allows public entities to implement energy conservation improvements for buildings, and the capital improvements are financed with energy saving performance contracts, using a lease-purchase agreement. The transfer of the program to the Kansas Energy Office in 2004 has allowed municipalities, counties, community colleges, and unified school districts to also take advantage of Kansas' successful, streamlined program. He discussed the conflict with existing statutes regarding the use of lease-purchase agreements by K-12 schools beyond ten years, and a similar limitation for Kansas community colleges that may cause legal concerns regarding the maximum years that could be used in financing projects. He explained the provisions in **HB 2602** which would correct the potential conflict. (Attachment 4) Upon concluding his testimony, Mr. Ploger distributed copies of a reprint of the February 2006 edition of the "Kansas Government Journal" (published by the League of Kansas Municipalities) which has a three page article explaining the FCIP program in greater detail.

Senator Schodorf called upon Deb Hollon, Kansas Legislative Research Department, for an overview of **HB 2602**. Ms. Hollon explained that the bill would amend current law to authorize the board of any community or technical college to enter into a contract or lease-purchase agreement for a period exceeding ten years for energy conservation measures. The amendment in the bill would give community colleges the same flexibility for financing energy conservation measures as is currently available to municipalities, school districts, and state agencies under the statute. The bill also would make the resources of the FCIP program available to school districts and private or public colleges. Currently, that program is only available to municipalities and state agencies.

Dale Hahs, President of Custom Energy, testified in support of **HB 2602**. He noted that the FCIP program has given several facilities throughout the state the ability to significantly improve campus mechanical and electrical infrastructures while enhancing working and learning environments without straining state budgets. He noted that the dollars being earned by the installation of energy savings devices and systems are repaying the debt used to purchase and install them. He explained that, last year, Custom Energy participated with Neosho Community College in the development of a performance contract at which time Custom Energy recognized that a language oversight created a conflict between the performance contract enabling legislation and other community college procurement guidelines. The bill would correct this oversight. (Attachment 5)

Senator Schodorf called attention to written testimony in support of **HB 2602** submitted by Dr. Vicky Smith, President of Neosho County Community College. (Attachment 6)

There being no others wishing to testify, the hearing on **HB 2602** was closed.

CONTINUATION SHEET

MINUTES OF THE Senate Education Committee at 1:40 p.m. on March 20, 2006, in Room 123-S of the Capitol.

Senator Teichman moved to recommend **HB 2602** favorably for passage, seconded by Senator Pine. The motion carried.

The Committee returned its attention to **HB 2593**. Senator Vratil explained that the language concerning coverage for abortions on page 2, lines 30 and 31, was unnecessary because the policy would not cover elective procedures in any way, and an abortion procedure is considered to be elective.

Senator Vratil moved to amend **HB 2593** by deleting the language in bold print on page 2, lines 30 and 31, seconded by Senator Goodwin. The motion carried.

Senator Vratil move to recommend **HB 2593** favorably for passage as amended, seconded by Senator Goodwin.

Senator Ostmeier commented that perhaps a better approach for university students to pay for their health insurance would be through a student loan.

Senator Steineger suggested that community colleges should be amended into the bill. Senator Vratil commented that he was reluctant to include the community colleges because the Committee did not know what the impact might be, and the Regents did not ask that community colleges be included. He suggested that, before the Committee substituted its judgement for the Regents, it should confer with the Regents. Theresa Kiernan, Revisor of Statutes Office, explained that there was no reason to include community colleges in the bill because they are not subject to the law which requires Regents universities to go through the Committee on Surety Bonds and Insurance. She explained further that the section that the bill amends creates an exception to a limitation on state agencies, and the Regents institutions are not subject to this limitation.

On a call for a vote on Senator Vratil's motion, the motion carried with Senator Ostmeier voting "no."

The meeting was adjourned at 2:30 p.m.

The next meeting is scheduled for March 21, 2006.

**SENATE EDUCATION COMMITTEE
GUEST LIST**

DATE: March 20, 2006

NAME	REPRESENTING
Dorothy Knoll	KUMC
Clifton Morris	KUMC
Sara Honeck	KUMC
Chris Meiers	KUMC
Marcia J Nielsen	KUMC
Jim Ploger	KCC
Dale L. Hales	Custom Energy
Howard Smith	PITTSBURG STATE
Juni Rora	KACCT
KEVIN GREEN	Custom Energy
Jeff Wagamon	State Treasurer's Office
Scott Gates	State Treasurer's Office
Ed O'Reilly	Rep - 24th District
Lana Hedham	USD #447 Cherryvale Schools
David R. Corbin	KDOR
John Peterson	American Century
Tom Day	KCC
Mike Kelly	HPFA
RUSSELL MILLS	GACHES BRADEN

Senate Education Committee Testimony
March 20, 2006

David Shulenburger, 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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Attachment 1*

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 venders 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.

Testimony before the Senate Education Committee RE: HB 2593

Dorothy Knoll, Ph.D.

Dean of Students, University of Kansas Medical Center

March 20, 2006

Madam Chair and Members of the Committee:

I am Dorothy Knoll, Dean of Students at the University of Kansas Medical Center (KUMC) and I appreciate the opportunity to appear before your Committee today to offer support for HB 2593, which allows state educational institutions such as KUMC to procure health insurance for our students.

Brief History

The State of Kansas offered health insurance policies to the Graduate Teaching Assistants/Graduate Research Assistants (GTA/GRA's) at Kansas Board of Regent universities beginning with the 1998-99 school year. This was done to give the universities permission to pay for a portion of the premium as a benefit for students. This plan was also made available to all students. Within two years, it was determined that the Regent universities had to offer this plan to all their students, including the GTA/GRA's, and that they could not offer any other plans.

Health Insurance for Students at KUMC

As you know, students are a vibrant subset of our society. As much as adequate affordable health care and health insurance are issues for Kansans, so too is adequate health insurance important for our students. Across the nation many employed citizens are finding that either their employers no longer provide health insurance coverage because it is unaffordable, or are shifting more of the premium cost to the employee and/or are cutting benefits to make the plans affordable. These national health insurance realities are especially difficult for students, and especially so for KUMC students. Today I will outline some of the reasons why.

First, students at KUMC *must* have health insurance in order to meet accreditation requirements since students are exposed in clinical settings to individuals who are ill. It is thus important that our students have access to care both for preventive care, such as immunizations and screening, and acute services, such as hospitalization.

Second, for the most part, our students do not work at full time jobs while they are in school and are unable to secure employer provided health insurance. Some of our students are married and have a spouse with employer provided health insurance. However, many more find it nearly impossible to buy individual health insurance plan due to the high cost. Moreover, individually purchased secured plans offer challenges for those with pre-existing conditions since those conditions are excluded from health insurance coverage.

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Attachment 2

Finally, the average age of our students is 28 and hence most of our students are no longer eligible to be on their parent's health insurance policy. This assumes, of course, that the parent even has a policy.

Board of Regents Plan: Opportunity for a Comprehensive Health Insurance Plan

For the current school year, 2005-2006, the KUMC Student Governing Council and the KU Student Senate have explored a more comprehensive policy at a reasonable cost. Some of the improved benefits are:

- Better prescription coverage. On the State plan, students have to pay \$500 out of pocket for medical expenses and then coverage begins, with maximum coverage at \$250. The Student secured plan will pay immediately, \$5/prescriptions filled at KUMC, \$15 for prescriptions paid elsewhere, for a maximum benefit of \$1000.
- More affordable cost sharing. The Student secured plan is 90/10 for Preferred Provider Organizations (PPOs) and 70/30 out of network for most covered expenses. Cost sharing on the State plan is 80/20 PPO, 60/40 out of network.
- More comprehensive benefits. Chemo and radiation therapy are included in the Student secured policy rather than a separate purchase for these benefits, which is required of the State plan. The Student secured plan covers items such as allergies/acne/sleep disorders which are not covered by the State plan.
- No maximum coverage restrictions. The Student secured plan does not have the maximum coverage restrictions that the State plans has.

Let me provide you with one example from a recent KUMC student who had an acute and expensive episode of care. The student had a total medical bill for \$19,510.53. The State plan applied the PPO discount of \$3828.69. After the payment of deductibles and the PPO discount, the student still owed \$14,181.84. Based on our calculations, if this student had the Student secured plan, the student would have had to pay out of pocket the \$150 deductible and \$1,268 for his 10% cost share, for a total bill of \$1418.

These facts and circumstances surrounding health insurance issues for our students are deeply important to them and to those of us who care for their physical, mental and financial welfare. Please help us secure comprehensive health care coverage for our students by supporting HB 2593, which allows state educational institutions such as KUMC to procure health insurance for our students.

Please accept my gratitude for your interest in and commitment to our students. This concludes my testimony and I look forward to answering any questions.

Respectfully submitted,

Dorothy Knoll, Ph.D.
Dean of Students, University of Kansas Medical Center



KANSAS BOARD OF REGENTS

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March 20, 2006

Senator Jean Schodorf
Chairwoman
Senate Education Committee
Statehouse, Room 241-E
Topeka, KS 66612

Senator Janis Lee
Ranking Member
Senate Education Committee
Statehouse, Room 162-E
Topeka, KS 66612

Dear Chairwoman Schodorf and Ranking Member Lee:

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. House Bill 2593 was approved by the House 110-14 on February 8.

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 3*

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 cursive script, appearing to read "R. L. Robinson".

Reginald L. Robinson
President and CEO

KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

**BEFORE THE SENATE COMMITTEE ON EDUCATION
PRESENTATION OF THE
KANSAS CORPORATION COMMISSION
March 20, 2006
HB 2602**

Thank you, Chairman and members of the Committee. I am Jim Ploger, Director of the Kansas Energy Office at the Kansas Corporation Commission. I appreciate the opportunity to be here today to testify for the Commission on HB 2602.

This bill makes a couple minor amendments to KSA 75-37,125 – dealing with energy conservation projects in public buildings. A very successful program, known as the Facility Conservation Improvement Program (or FCIP), allows – on a voluntary basis – public entities to implement energy conservation improvements for buildings. Commonly called energy savings performance contracts, the capital improvements are financed from future, guaranteed utility savings (electricity, gas, water and/or operational savings), using a lease-purchase agreement.

While performance contracts by public agencies are commonly used in most states, the Kansas program has gained national recognition with its streamlined process. Recently, the Western Governors Association's Energy Efficiency and Conservation Task Force of the Clean & Diversified Energy Advisory Committee recommended as a "best practices" the Kansas Facility Conservation Improvement Program.

Kansas uses pre-qualified energy service companies – there are four such pre-qualified companies in Kansas. That allows public agencies to use pre-negotiated and agreed upon rates,

*Senate Education Committee
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fees and standardized contracts. Thus institutions can implement projects much quicker and with less effort, thereby saving time and money and still maintaining a high degree of confidence and that they are receiving a quality product.

Since its inception about four years ago, nearly \$97 million in capital improvements have resulted in over \$8.7 million in annual avoided energy costs for state owned buildings.

With the transfer of the program to the Kansas Energy Office in 2004, it has allowed Kansas municipalities, counties, community colleges and unified school districts to also take advantage of the successful streamlined program.

The authors of the original legislation realized there may be a conflict with existing statutes regarding the use by K-12 schools of lease-purchase agreements beyond 10 years. The FCIP legislation allows financing to extend up to 20 years, if justified. Therefore, our legislation made it clear it was permissible for unified school districts – for energy conservation projects ONLY – go beyond ten years of financing.

Overlooked at that time was a similar limitation for Kansas community colleges that may cause legal concerns regarding the maximum years that could be used in financing projects. This was discovered last year with an FCIP project at Neosho County Community College, the first community college to participate in the program. --

In Section 1(3)(c), HB 2602 corrects this potential conflict – as the original legislation did with K-12 schools – by inserting: “Notwithstanding any provision contained in K.S.A. 71-201 and 72-8225, and amendments thereto or other provisions of law, the board of education of any school district and the board of any community college or technical college may enter into a contract or lease-purchase agreement for an energy conservation measure for a period exceeding 10 years.”

In addition – in Section 1(3)(e) – of HB 2602 adds the words *school districts, private and public colleges in Kansas*. This would allow established, private Kansas colleges – *on a voluntary basis* – use the technical oversight service of the FCIP if desired. Such services to a private institution would be provided using an established fee-based schedule – with no financial or legal liability on the part of the State of Kansas.

I understand this is a commonly used provision allowing the State of Kansas provide technical services to private entities in other situations.

I urge the adoption of HB 2602. HB 2602 passed the House of Representative 123-0 on January 31. It becomes effective upon publication in the Kansas Register. Allen County Community College and Colby Community College are currently considering making energy improvements and this bill make offer them the opportunity to expand the scope of their projects.

I would be happy to answer any questions. Thank you.

Attachment: List of state-owned FCIP building projects

Kansas Facility Conservation Improvement Program Projects

(State Owned Building Projects - as of March 1, 2006)

Agency	Area (Sq. Ft.)	Project Amount	Avoided Energy Costs
Kansas School for the Blind	112,689	\$467,153	\$44,519
Hutchinson Correctional Facility	424,030	\$2,355,000	\$332,196
Pittsburg State University	1,379,549	\$4,500,000	\$358,975
Kansas State University - Housing	1,080,981	\$2,418,169	\$356,097
Kansas Neurological Institute	414,539	\$2,268,817	\$177,764
University of Kansas - Campus	5,881,330	\$18,393,010	\$1,723,488
University of Kansas Medical Center	1,912,889	\$12,500,000	\$964,768
Kansas State University - Campus	5,532,479	\$21,090,000	\$1,629,935
Winfield Correctional Facility	227,385	\$1,164,639	\$182,400
Wichita Work Release Facility	54,672	\$261,000	\$33,100
Norton Correctional Facility	308,150	\$1,682,971	\$189,000
Lansing Correctional Facility	716,157	\$3,583,697	\$445,736
Fort Hays State University	1,839,022	\$4,689,072	\$348,816
Parsons State Hospital	394,618	\$2,058,435	\$194,542
Kansas School for the Deaf	243,108	\$1,016,810	\$95,151
El Dorado Correctional Facility	609,431	\$2,123,556	\$220,610
Topeka Correctional Facility	245,069	\$887,985	\$96,252
Ellsworth Correctional Facility	201,676	\$998,090	\$111,829
Larned Correctional Facility	131,327	\$178,035	\$19,996
Pittsburg State University - Housing	232,009	\$1,550,401	\$60,425
Kansas Insurance Department	36,000	\$692,419	\$83,143
Wichita State University	1,976,646	\$12,316,635	\$1,103,277
TOTAL	23,953,756	\$97,195,894	\$8,772,019

**BEFORE THE SENATE EDUCATION COMMITTEE
PRESENTATION BY CUSTOM ENERGY**

March 20, 2006

PROPONENT OF HB 2602

Thank you Chairman and Members of the Committee. My name is Dale Hahs, President of Custom Energy, a National Energy Services Company headquartered in Overland Park, Kansas. Thank you for the opportunity to be here today to testify as a proponent of House Bill 2602.

My company, Custom Energy, was selected as one of the four Facility Conservation Improvement Program partners at the program's inception almost 4 years ago.

The program has achieved significant success, thanks in large part to the insight of the Kansas Legislature to empower the program; its framers, the Kansas Energy Office and the program administrators. The Kansas Program has become a model for many other states that stand in awe of the Kansas success. But the work is not done.

The program has provided significant infrastructure modernization for facilities throughout the State of Kansas including: the Department of Corrections facilities, some SRS facilities, some administrative buildings and a significant portion of the Regents' institutions; including the University of Kansas, Kansas State University, Fort Hayes State University, Pittsburgh State University and a project soon to be implemented at Wichita State University. But the work is not done.

I take the opportunity to call to your attention those organizations because this program has given them the ability to significantly improve campus mechanical and electrical infrastructures while enhancing the



9217 Cody
Overland Park, Kansas 66214

working and learning environments and reducing dreaded deferred maintenance list, all without further straining state budgets. These programs are funded by the diversion of dollars previously paid to utility companies. The dollars being earned by the installation of energy savings devices and systems are in fact repaying the debt used to purchase and install them.

The original enabling legislation went far to empower State Agencies to utilize this alternative construction methodology within a payback framework of up to 20 years, if justified. In 2004, when the program was moved to the Kansas Energy Office, the program was extended to municipalities, counties, community colleges and unified school districts to take advantage of the program's success and opportunity.

Last year, Custom Energy was fortunate enough to participate with Neosho County Community College in the development of a Performance Contract for their institution. During the project development time, we recognized that a language oversight created a conflict between the Performance Contract Enabling Legislation and other Community College Procurement guidelines.

This minor oversight can be corrected with House Bill 2602.

We might all agree with the American Association of Community Colleges when it states that "Community Colleges are centers of educational opportunity that put publicly funded higher education at close-to-home facilities welcoming all who desire to learn, regardless of wealth, heritage, or previous academic experience." They too, challenged by budget constraints, are seeking to find the best ways to be great stewards of their capital, their energy and natural resources.

Having passed the House by a vote of 123 to 0, we now enlist your support to allow us to get the work done!

Thank you. I would be happy to answer any questions.

Statement to the Education Committee
Kansas Senate
RE: HB 2602 – March 20, 2006
By
Dr. Vicky Smith
President, Neosho County Community College
Chanute, KS

I am president of Neosho County Community College in Chanute, Kansas.

Last year NCCC undertook a \$2.1 million energy performance project under the auspices of the state's Facility Conservation Improvement Program (FCIP). The College was able, under the program, to successfully address major infrastructure problems affecting energy conservation at the College.

Included in the project were lighting improvements, energy management system upgrades, chiller, cooling tower and pump replacements, new roofs, vestibules, renovations to our Center for Academic and Vocational Excellence, water conservation measures, and air conditioning certain areas of the campus.

When the College initially looked at the scope of the potential project, we included additional energy conservation measures than those I have just identified for you. We decided to limit the scope of the energy conservation measures to \$2.1 million, because that was what we could afford within the 10 year restriction noted in State Statute 71-201 for lease purchase projects for community colleges.

The state FCIP representative assigned to our project was surprised at the 10 year limitation, since boards of educations of public school districts could – under State Statute 73-27,125 3a and 3c – exceed 10 years and could choose to have such lease purchase projects extend up to 20 years. He was under the impression that the statute covered community colleges. It does not.

Neosho County Community College would have included additional needed energy conservation measures in our FCIP project if we could have extended the lease purchase beyond 10 years. Specifically, we would have replaced our 38 year old hot/cold piping loop that runs throughout the campus. The cost of that energy conservation measure would have been around \$600,000. We also would have replaced our 38 year old domestic hot water for a cost of \$100,000. And lastly, we would have found a solution for replacing our unit ventilators and fan coil units, which would have cost \$225,000-\$360,000.

Having the flexibility of longer term lease purchase energy conservation projects would be helpful in solving our infrastructure issues. I urge the members of the committee to support the legislation before you.

Thank you.

Senate Education Committee
3-20-06
Attachment 6