

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Sharon Schwartz at 9:00 A.M. on March 28, 2007, in Room 514-S of the Capitol.

All members were present except:

- Representative Virginia Beamer - excused
- Representative Mitch Holmes - excused
- Representative Tom Sawyer - excused
- Representative Kevin Yoder - excused
- Representative Jason Watkins - excused

Committee staff present:

- Alan Conroy, Legislative Research Department
- J. G. Scott, Legislative Research Department
- Becky Krahl, Legislative Research Department
- Audrey Dunkel, Legislative Research Department
- Susan Kannarr, Legislative Research Department
- Aaron Klaassen, Legislative Research Department
- Jim Wilson, Revisor of Statutes
- Theresa Kiernan, Revisor of Statutes
- Nikki Feuerborn, Chief of Staff
- Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

- Dr. Reginald Robinson, Board of Regents
- Representative Brenda Landwehr
- Don Jordan, Secretary, Department of Social and Rehabilitation Services
- Stuart Little, on behalf of the Association of Community Health Centers

Others attending:

See attached list.

- Attachment 1 Testimony on **HB 2593** by Dr. Reginald Robinson
- Attachment 2 Testimony on **HB 2594** by Don Jordan

Hearing on HB 2593 - Postsecondary institutions; infrastructure improvement projects; financing.

Audrey Dunkel, Legislative Research Department, explained highlights of **HB 2593** and the section where they are located including:

- Section 5 - \$300 million Infrastructure Loan Program - \$200 million available for state education institutions and \$100 million available for loans to community colleges.
- Section 9 - Restricts the use of tuition.
- Section 10 - Establishment of the Regents Deferred Maintenance Oversight Board.
- Section 11 - Addresses the use of the state architect.
- Section 13 - Establishing of the technology upgrade project competitive matching grant program.
- Section 14 - Future maintenance reserve fund.
- Section 15 - Prepare an inventory of all buildings and facilities and determine those to be obsolete and not in service.
- Section 16 - Increasing non-resident tuition to the national average.
- Section 20 - Maintaining interest on certain fee funds.
- Section 22 - Allowing certain counties to impose a countywide retailers' sales tax and pledge the revenue received to the financing of infrastructure improvement projects at a state education institution located within such county.
- Section 23 - Reserve fund for the crumbling classrooms debt payment fund.

Theresa Kiernan, Revisor of Statutes, noted that some language has been omitted in error from the bill addressing property tax relief in Sedgwick County.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 28, 2007, in Room 514-S of the Capitol.

There were no proponents or neutral conferees on **HB 2593** to appear before the Committee.

Chair Schwartz recognized Dr. Reginald Robinson, President and CEO, Board of Regents, who appeared before the Committee in opposition to **HB 2593** (Attachment 1). Dr. Robinson stated that although there are sections of **HB 2593** of which the Board of Regents approve, there is also a number of provisions of the bill on which they strongly have opposition.

Responding to a question from the Committee concerning why maintenance projects have not been performed at the universities on a timely basis, Dr. Robinson indicated that there has not been a dedicated stream of funding for maintenance projects. With regard to technology upgrades, Dr. Robinson stated that funding comes from a variety of sources, noting that some universities attach a fee to tuition to be used to fund technology upgrades.

Because of the number of questions still unanswered and time restraints, the hearing will be continued.

The Chair announced that the hearing on HB 2593 will be continued at a later date.

Hearing on HB 2594 - Joint committee on social and rehabilitation services oversight.

Susan Kannarr, Legislative Research Department, explained that **HB 2594** would create the Joint Committee on Social and Rehabilitation Services Oversight consisting of 12 members, serving a 2-year term. The committee would have the authority to meet at any time and any place within the State on call of the chair, would have the exclusive responsibility to study and monitor the operations and decisions of the Department of Social and Rehabilitation Services (SRS) concerning mental health reform and services provided by the Department with regard to children. The Joint Committee would have the authority to study any other issue deemed necessary and introduce legislation. Provisions of the bill would retire on July 1, 2015.

Representative Brenda Landwehr appeared in support of **HB 2594** and noted the need for an oversight committee when major changes are made.

Chair Schwartz recognized Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS), who presented testimony in support of **HB 2594** (Attachment 2).

The Chair recognized Stuart Little, who appeared on behalf of the Association of Community Health Centers, and stated their support of **HB 2594**.

Robin Clements appeared on behalf of the child welfare companies and voiced their support for **HB 2594**.

There were no opponents or those with a neutral position to appear before the Committee.

The hearing on HB 2594 was closed.

Discussion and Action on HB 2594 - Joint committee on social and rehabilitation services oversight.

Representative Bethell moved to recommend **HB 2594** favorable for passage. The motion was seconded by Representative Kelsey.

Representative Henry made a substitute motion to amend **HB 2594**, Page 3, Line 15, following the words "mental health reform", by inserting "developmental disability reform". The motion was seconded by Representative Bethell. Motion carried.

Some members of the Committee had concerns as to how the Joint Committee, as proposed by the legislation, would work differently from the current committees who already review these procedures. It was noted that this is an oversight committee to address issues when the Legislature

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 28, 2007, in Room 514-S of the Capitol.

is not in session.

Representative Bethell renewed the motion to recommend **HB 2594** favorable for passage as amended. The motion was seconded by Representative Kelsey. Motion carried.

The meeting was adjourned at 10:00 a.m. The next meeting of the Committee will be held at 9:00 a.m. on April 2, 2007.


Sharon Schwartz, Chair

House Appropriations Committee

March 28, 2007

9:00 A.M.

NAME	REPRESENTING
Ron Seepin	Hera Law Firm
Robin Cerrito	Child Affr Cos.
SWE PETERSON	K-STATE
DK Rideaux	JHSU.
J. Daugherty	ESU.



KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

TELEPHONE – 785-296-3421
FAX – 785-296-0983
www.kansasregents.org

House Appropriations Committee
March 28, 2007

Testimony in Opposition to House Bill 2593

Reginald L. Robinson
President and CEO

Madam Chair and Members of the Committee, I am here today on behalf of the Kansas Board of Regents to testify in favor of the \$75 million in SGF funding that HB 2593 includes. This funding would provide SGF to make the debt service payments for outstanding bonds. This action will free \$15 million in EBF funding over the next five years which would be applied to the deferred maintenance backlog. However, I must strongly oppose several of the other key provisions of the bill.

First, Madam Chair, I would like to take a moment to recognize the hard work of so many legislators in both chambers and on both sides of the aisle to find solutions for this problem. The Legislature and Governor have left no rock unturned as we continue to work through a myriad of possible funding sources to help resolve this issue. The problem is critical, the need substantial, and there is no easy solution.

Response to Specific Provisions of HB 2593:

Low-Interest Loans from the Pooled Money Investment Board (PMIB) and Creation of a Subsidiary Corporation

Sections 1-12 of the bill would authorize loans for infrastructure projects from the PMIB, providing \$300 million, of which \$200 million would be for state universities and \$100 million for community colleges. To manage the projects financed with the loans, the bill would require the Board to incorporate a six-member subsidiary corporation.

We appreciate the benefit low-interest loans can provide; however, without a dedicated revenue stream to repay the loans, it is difficult to see how this program would be helpful. Furthermore, the creation of the subsidiary corporation puts in place another level of bureaucracy and provides further disincentive for state universities and community colleges to take advantage of the loans. The current funding crisis has not resulted from a lack of maintenance construction project oversight. The Board asserts that the existing structure whereby the Board approves all projects upon advice and consultation with the Joint Committee on State Building Construction has served the State well. As the adage goes, "if it isn't broken, don't fix it."

HOUSE APPROPRIATIONS

DATE 3-28-2007
ATTACHMENT 1

Non-Resident Tuition Increase

Section 16 of the bill would require the Board of Regents to set non-resident tuition and fees at state universities to be not less than the average amount of tuition and fees of non-resident students in a state university's peer institutions located in all other states. Increases in tuition at a state university would be dedicated to maintenance issues at that state university.

Tuition and fee increases are the statutory responsibility of the Kansas Board of Regents. In determining rates, the Board carefully balances a number of factors and considerations appropriate to the missions and programs of each state university and the inelasticity of tuition rates. A mandated increase would disturb that balance and would have negative consequences on the current policy.

It is flawed to assume that the same number of non-resident students will return to Kansas to pursue their education if non-resident tuition is significantly increased. An example of this assumption could be applied to the Kansas City Chiefs. It would be a risky business decision if the Chiefs automatically assumed that they could raise single game ticket prices from \$100/ticket to \$500/ticket and still sell out all 80,000 seats for every home game at Arrowhead Stadium.

It is important to point out that a large percentage of revenue generated by this proposal would come from students in the FHSU virtual campus program, most of whom do not use campus facilities. This could result in decreased enrollment that would severely impair that particular program. Any increase in non-resident tuition that results in a programmatic or university-wide decrease in the number of out-of-state students will inevitably result in a shift in costs to in-state students.

In addition, this proposal would generate varying amounts of revenue at each state university that are not necessarily proportionate to that university's level of deferred maintenance needs.

Prohibition to Use Tuition for Financial Aid

Section 20 mandates that any tuition collected, including tuition collected in the past, could not be used for financial aid for students.

Using tuition revenues as a source of financial aid is a practice used by state universities across the country to bolster need-based university financial aid programs. Typically, students agree to a tuition increase with a guarantee that some portion of the increase will be used for financial aid.

Interest earnings from General Fees and Sponsored Project Overhead Funds

Section-21 of the bill would make permanent the Board's policy that interest earnings from General Fees fund (tuition and fees) and the Sponsored Project Overhead fund will be dedicated

to maintenance. It would also mandate that any tuition collected, including tuition collected in the past, could not be used for financial aid for students.

I am concerned about making this new policy a permanent statutory change. The Board has committed to dedicated interest earnings to maintenance for five years. Beginning in FY 2008, it is anticipated to raise \$8.5 million and will increase annually through FY 2012. Making this dedication permanent ties the hand of the Board and the state universities to determine where the funds are most urgently needed. I suggest that we re-visit the dedicated use of these funds prior to the end of the five-year period to determine whether or not a statutory mandate is necessary.

Local Tax Component

Section 22 of the bill provides that counties that are home to state universities may increase local sales tax by 0.1 cent for infrastructure improvement projects.

Reliance on a broad-based, ongoing tax as a revenue source is desirable, but limiting the increase to counties where state universities are located appears to imply that the responsibility of taking care of state buildings rests with entities other than the State of Kansas and with only a subset of Kansas citizens. Applying a sales tax increase statewide would recognize that the state universities were created to serve a statewide mission and to serve all Kansans.

Technology Upgrade Project Competitive Matching Grant Program

Section 13 of the bill would create a grant program, subject to appropriations therefore, for technology projects. Grants would be awarded by the Board and would require a 1:1 match from the state university receiving a grant.

Although this is the first I have heard of this proposed grant program, the Board would be generally supportive of the concept for this Program, but without appropriations, it is not a meaningful proposal. If an amount of funding could be determined, the Board would be in a better position to poll state universities about their interest in participating in such a program.

Future Maintenance

Section 14 would require the Board to identify funds for the future maintenance costs for all capital improvement projects and maintenance funded under the low interest loan program. State universities must deposit such moneys into the state treasury and expenditures may only be made through appropriations acts.

The future maintenance provision should be deleted or clarified. As I testified before this Committee on January 24, the Board has already required the state universities to fund annual maintenance and operation costs for future new privately-funded building projects from either gifts or existing university resources. The state universities have agreed that they will not seek

State funds for that purpose. This provision goes much further than privately-funded buildings and implies that the State will not be responsible for state-financed buildings, but that the Board will be solely responsible. This raises a number of questions.

Building Inventory

Section 15 would require the Board to prepare an inventory of all buildings and asses facilities to determine if any are obsolete.

The Board's Director of Facilities, Eric King, already prepares such an inventory, the most recent being a 32-page report entitled "Inventory of Physical Facilities and Space Utilization, Fall 2006." This report is updated every other year and is easily accessible by the public via the Board's website.

Definition of "Improvement"

New section 2(g) "improvement" means the maintenance, repair, reconstruction or rehabilitation of infrastructure. "Improvement" shall not mean new construction of infrastructure.

This definition of "improvement" appears overly rigid in a way that could very well produce unintended consequences. For example, the proposed definition would prohibit providing a new fire alarm system as a life safety upgrade in a building that currently has no such system.

That concludes my testimony, but I would be glad to answer any questions you may have.

Kansas Department of

Social and Rehabilitation Services

Don Jordan, Secretary

House Appropriations Committee
March 28, 2007

**HB 2594 - Creation of Joint Committee on Social and
Rehabilitation Services Oversight**

Don Jordan, Secretary

For additional information contact:
Public and Governmental Services Division
Kyle Kessler, Deputy Secretary

Docking State Office Building
915 SW Harrison, 6th Floor North
Topeka, Kansas 66612-1570
phone: 785.296.0141
fax: 785.296.4685
www.srskansas.org

HOUSE APPROPRIATIONS

DATE 3-28-2007

ATTACHMENT 2

**Kansas Department of Social and Rehabilitation Services
Don Jordan, Secretary**

House Appropriations
March 28, 2007

**HB 2594 - Creation of Joint Committee on Social and Rehabilitation Services
Oversight**

Madam Chair and members of the Committee, I am Don Jordan, Secretary of the Kansas Department of Social and Rehabilitation Services. I appreciate the opportunity to come before you on HB 2594.

SRS welcomes the creation of the Joint Committee on SRS as outlined in HB 2594. Legislative oversight is necessary to ensure good public policy and will assist SRS in providing the best services possible to the Kansans we serve.

SRS anticipates major changes in service delivery within the next year including the establishment of associate agreements with willing providers of mental health services to children on medicaid and moving forward with Prepaid Ambulatory Health Plan (PAHP). Legislative oversight will be especially welcomed during these times of change.

For the aforementioned reasons, SRS encourages your support of HB 2594.

I will be happy to stand for questions.