

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:35 A.M. on February 1, 2008 in Room 123-S of the Capitol.

All members were present except:

Senator Jean Schodorf - excused

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:

Marilyn Jacobson, Director, Division of Facilities Management, Kansas Department of Administration
Steve Weatherford, President, Kansas Development Finance Authority
Diane Duffly, Vice-President, Finance & Administration, Kansas Board of Regents
Dr. Terry Calaway, President, Johnson County Community College
Richard Hoffman, Director, KAW Area Technical School/Past President, KATSC (written)
Russell Rudy, Buildings Team Manager, Kansas Corporation Commission

Others attending:

See attached list.

Bill Introductions

Senator Steineger moved, with a second by Senator Taddiken, to introduce a conceptual bill concerning health care benefits. Motion carried on a voice vote.

Senator Steineger moved, with a second by Senator Umbarger, to introduce a conceptual bill concerning sales tax exemptions. Motion carried on a voice vote.

Senator Emler brought forward a request for a bill introduction on behalf of the Secretary of the Department of Corrections. Senator Kelly moved, with a second by Senator Teichman, to introduce a bill regarding grants to apply toward community corrections (7rs1921). Motion carried on a voice vote.

The Chairman acknowledged Audrey Dunkel, Fiscal Analyst, Kansas Department of Legislative Research, who provided a staff update of the Joint Committee on State Building Construction, Report to the Kansas Legislature (Attachment 1).

Chairman Umbarger welcomed Marilyn Jacobson, Director, Division of Finance and Facility Management, Kansas Department of Administration, who provided an update on the Utility Tunnel, Docking Building and Dillon House (Attachment 2). Ms. Jacobson provided information on the Capitol Complex Utility Tunnel, the background, temporary repairs and long-term solutions.

Regarding the Docking Building, Ms. Jacobson explained that the Kansas Department of Administration recommendation is to reconstruct the Docking Building at \$77 million dollars. It is in the Governor's budget in FY 2009 for \$1 million from the expanded gaming revenues to begin the planning phase of the project. She noted the costs to have a new building at \$83 million and a re-built Docking at \$77 million. Ms. Jacobson noted that in regard to the remaining Capitol Complex Buildings, there is \$3 million in Gov budget.

Ms. Jacobson addressed the Dillon House. Chairman Umbarger made a comment that the Dillon house is a historical structure that there are individuals that take value in that type of structure. It would cost a sum of

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:35 A.M. on February 1, 2008 in Room 123-S of the Capitol.

of money to tear it down. In last 3 or 4 years individuals have wanted to rehabilitate the facility - both from within the State and outside of the State. It was noted that the Kansas Insurance Department is looking at the Dillon House.

Chairman Umbarger opened the public hearing on:

SB 415-Postsecondary educational institutions; deferred maintenance

Staff briefed the committee on the bill.

The Chairman welcomed the following conferees:

Steve Weatherford, President, Kansas Finance Development Authority, testified in support of the bill (Attachment 3). Mr. Weatherford explained that he was present to discuss continuing progress on the implementation of the Program in structuring the first financing and to explain certain amendments he is offering in concert with the Kansas Board of Regents. These technical amendments are listed in Mr. Weatherford's written testimony. He also provided additional information concerning 8, 15 and 20 year amortization assumptions on today's market rate (Attachment 4).

Diane Duffy, Vice-President, Finance & Administration, Kansas Board of Regents, spoke in support of the bill (Attachment 5). Ms. Duffy also explained several amendments proposed to the Committee that came to the attention of the Kansas Board of Regents during the first year's implementation that are listed in her written testimony. Ms. Duffy also suggested consideration of amending the law to add state universities' health fees funds and service and other clearing funds to those university funds that receive interest earnings and consider clarifying language requiring the Board of Regents to certify to the Kansas Department of Revenue and the Kansas Finance Development Authority that a technical institution has achieved substantial compliance and is eligible to participate in the bond and tax credit programs, respectively.

Dr. Terry Calaway, President, Johnson County Community College, testified in support of the bill (Attachment 6). Dr. Calaway explained that they were especially excited about the prospects of addressing their deferred maintenance needs through the utilization of tax credits based on charitable donations. Dr. Calaway mentioned that it is their hope that the Committee would consider an approach to ensure that as many tax credits as possible are used annually to help the community and technical colleges address their deferred maintenance needs. Implementing a pooling process would allow community and technical colleges to fully benefit from the credits allocated.

Richard Hoffman, Director, KAW Area Technical School/Past President, KATSC, submitted written testimony (Attachment 7).

The Chairman closed the public hearing on SB 415.

Chairman Umbarger welcomed Russell Rudy, Buildings Team Manager, Kansas Corporation Commission, who presented information to the Committee regarding efforts to reduce energy and operating costs for state and publically owned buildings (Attachment 8). A handout was provided by Mr. Rudy concerning the energy efficiency opportunity (Attachment 9).

The "vision" of the Kansas Corporation Commission Energy Programs Division - Energy Office - Buildings Team is to eventually be able to address and provide services to Kansas citizens covering the full range of the built environment including residential, light commercial, commercial and industrial structures (including industrial processes). Energy efficiency is the greatest potential resource the country has to serve the energy needs of the country. It is their intent to continually improve the quality and quantity of valuable energy and environmental performance services that they are able to provide for Kansas citizens.

The meeting adjourned at 12:05 p.m. The next meeting was scheduled for February 4, 2008.

Joint Committee on State Building Construction

REPORT TO THE 2008 LEGISLATURE

CONCLUSIONS AND RECOMMENDATIONS

The Joint Committee recommends that:

- The current state process for estimates and bids for building renovations is appropriate, and recommends review of this topic during the 2008 Interim for the Regents deferred maintenance projects.
- The statutes regarding architectural fees in state contracts should be amended as recommended by the Joint Facilities Team.
- The review process set forth in 2007 HB 2237 for Regents deferred maintenance should continue, with the elimination of duplicate reporting by the universities, before funds from the Infrastructure Maintenance Fund of each institution can be spent; recognizing that the Board of Regents must report on the same projects before the funds can be distributed to the institutions.
- The technical schools should be included in the bonding and tax credit programs created by 2007 HB 2237, after their plan to either merge or affiliate with a degree granting institution or become an independent degree granting institution, by July 1, 2009, has been approved by the Board of Regents.

Proposed Legislation: The Joint Committee recommends introduction of two bills.

BACKGROUND

The Joint Committee was established during the 1978 Session. The bill creating the Joint Committee (1978 HB 2722) was recommended by the Special Committee on Ways and Means - B as a result of its interim study of state building construction procedures.

The Joint Committee was expanded from six members to 10 members by 1999 HB 2065. It is composed of five members of the Senate and five members of the House of Representatives. Two members each are appointed by the Senate President, the Senate Minority Leader, the Speaker of the House of Representatives and

the House Minority Leader. The Chairperson of the Senate Committee on Ways and Means and the Chairperson of the House Committee on Appropriations serve on the Joint Committee or, in lieu of a Chairperson serving, a member of such committee is to be appointed by that Chairperson to serve (KSA 46-1701).

Terms of office are until the first day of the regular legislative session in odd-numbered years. A quorum of the Joint Committee is six members. The Chairperson and Vice-Chairperson are elected by the members of the Joint Committee at the beginning of each regular session of the Legislature and serve until the first day of the next regular session. In odd-numbered

years, the Chairperson is to be a Representative and the Vice-Chairperson is to be a Senator. In even-numbered years, the Chairperson is to be a Senator and the Vice-Chairperson is to be a Representative (KSA 46-1701).

The Joint Committee may meet at any location in Kansas on call of the Chairperson and is authorized to introduce legislation. Members receive the normal per diem compensation and expense reimbursements for attending meetings during periods when the Legislature is not in session (KSA 46-1701).

The primary responsibilities of the Joint Committee are set forth in KSA 46-1702. These are to review and make recommendations on all agency capital improvement budget estimates and five-year capital improvement plans, including all project program statements that are presented in support of the appropriation requests, and to continually review and monitor the progress and results of all state capital construction projects. The Joint Committee also studies the reports on such capital improvement budget estimates that are submitted by the State Building Advisory Commission. The Joint Committee makes annual reports to the Legislature through the Legislative Coordinating Council and such other special reports to committees of the House of Representatives and Senate as are appropriate (KSA 46-1702).

Each state agency budget estimate for a capital improvement project is to be submitted to the Joint Committee by July 1 in addition to the Division of the Budget and the State Building Advisory Commission. Each such estimate is to include a written program statement describing the project in detail (KSA 75-3717b).

This budget estimate requirement does not apply to federally-funded projects of the Adjutant General or to projects for buildings or facilities for Kansas Correctional Industries of the Department of Corrections that are funded from the Correctional Industries Fund. In such

cases, the Adjutant General reports to the Joint Committee each January regarding such federally-funded projects and the Director of Kansas Correctional Industries advises and consults with the Joint Committee prior to commencing such projects for Kansas Correctional Industries (KSA 75-3717b and 75-5282).

The Secretary of Administration is to issue monthly reports of progress on capital improvement projects, including all actions relating to change orders or changes in plans. The Secretary of Administration is required to first advise and consult with the Joint Committee on each change order or change in plans for a project having an increase in project cost of \$75,000 or more prior to approving the change order or change in plans (KSA 75-1264). This threshold amount was increased from \$25,000 to \$75,000 in 2000 HB 2017. Similar requirements were prescribed in 2002 for projects undertaken by the State Board of Regents for research and development facilities for state educational facilities, (KSA 76-786) and in 2004 for projects undertaken by the Kansas Bioscience Authority (KSA 74-99b16).

HB 2017 also enacted the alternative procedure in cases when the Joint Committee will not be meeting within 10 business days and the Secretary of Administration determines that it is in the best interest of the state for a change order or change in plans having an increase in project costs of \$75,000 or more to be approved prior to being presented to the Joint Committee. In each such case, a summary description of the proposed change order or change in plans is mailed to each member of the Joint Committee who may request a presentation and review of the proposal at a meeting of the Joint Committee. If, within seven business days of the date the notice was mailed, two or more members notify the Director of Legislative Research of a request to have a meeting on the matter, the Director notifies the Chairperson of the Joint Committee who will call a meeting as soon as practicable. The Secretary of Administration is not to approve the proposed

action prior to a presentation of the matter at a meeting of the Joint Committee. If the proposed matter is not requested to be heard by two or more members of the Joint Committee, then the Secretary of Administration is deemed to have advised and consulted with the Joint Committee and may approve the proposed change order, change in plans or change in proposed use.

COMMITTEE ACTIVITIES

State Process for Estimates and Bids

At its October meeting, the Joint Facilities Team presented an overview of the state estimating and bidding process. The Joint Facilities Team is a shared-services group of agency facilities representatives, consisting of the Board of Regents, the Department of Corrections, the Department of Social and Rehabilitation Services, the Juvenile Justice Authority, the Adjutant General's Department, the Department of Transportation, the Highway Patrol, and all other agencies who contract for building construction projects as part of their self-directed charge. The Manager of Facilities Planning, Design, and Construction for the Division of Facilities Management and the Department of Administration gave an introductory summary of current statutes and guidelines. (KSA 75-3717b) establishes the process that state agencies use when proposing a capital improvement project for construction, major repairs, or improvements to a building. The project budget estimates, along with a written program statement describing the project, is submitted to the Division of the Budget. The format required for submissions is established by the Director of Budget and consists of various components and requirements such as: detailed justification including an analysis of the programs, activities, and intended uses; funding requested by the project phases; detailed phase description; and cost estimates for land, surveys, soil investigation, equipment, building costs, and other items necessary for the project.

Agencies are required to submit by July 1 of each year the capital improvement requests to the Division of Budget, the State Building Advisory Commission (SBAC), and the Joint Committee for State Building Construction (JCSBC). The SBAC reviews the requests and reports any recommendations by November 15 to the Division of Budget, the JCSBC, and the Legislative Research Department.

Agencies also are required to submit by July 1 of each year a five-year capital improvement program and facilities plan to set forth the current and future space needs and utilization plans for the next five fiscal years in such form and containing such information as prescribed by the Secretary of Administration to the Division of Budget, the SBAC, and the JCSBC. (Note: exceptions are the Adjutant General Department (AGD) federally-funded projects and Kansas Correctional Industries projects; AGD provides a list of federally-funded projects).

The Department of Administration also has a series of directives in the DFM Building Design and Construction Manual Guidelines. That information also is available from a website. Agencies can go to the site and review any specific information. It applies not only to estimates, but bidding and agencies as well.

Cost estimating is basically the same whether it is for the private or public sector, or whether it is for an agency or the state as a whole, with one specific difference. In the private sector, the documents and the bidding process are almost exclusively part of what the architect and engineer do. For the state, it is done by the Division of Facilities Management. Architects and engineers are not involved directly with that distribution cost.

It is important to recognize that estimates are just that - estimates. Individuals that prepare estimates use their best knowledge available and their best experience and expertise at putting estimates together. There are basic rules for

applying contingencies, but sometimes those estimates only broadly include specific line items. In general, cost estimates can be expressed as “Cost = Size x Quality.” Project size can also be expressed as area or quality. Quality can also be expressed as building type.

Buildings that are similar to recently constructed buildings will have a higher probability of an accurate cost estimate than a unique building. New construction will have a higher probability of an accurate cost estimate than a remodeled building. The DOA typically asks and requires agencies to include a project contingency on any cost estimate before they go out for bids. This typically ranges from 5.0 percent for new construction to 10.0 percent for remodeled construction. These contingencies are for unknown conditions, not for incomplete plans or specifications. It is important to note with cost estimates and bids that when a full set of plans and specifications are completed, the Department of Administration assumes that everyone can theoretically give an equal cost bid. However, that does not occur. It is typical to receive bids that have a spread from high to low of 20 - 25 percent. This makes it easy to understand how preliminary estimates at the early stages of a project can be off by 20-25 percent.

During budget requests, basically there are five broad topics:

- Construction costs (including site work and fixed equipment), Architectural/Engineering (A/E) fees, moveable equipment, contingency and miscellaneous costs;
- Under the final design of a project, it is broken down into such items as general construction, structural, mechanical, electrical and plumbing, and special construction—demolition and abatement;
- Site work;
- Site utilities; and

- Major speciality systems - automated building control, fire alarm/security, data communications.

Other project costs consist of A/E and other fees, survey and testing, printing and reimbursables, contingency, furnishings and equipment. Once all of these items are taken into account, the total is adjusted for inflation.

Although it appears the final design would be more accurate due to the detail of the information, the accuracy can be jeopardized if the cost data used is generalized or summarized and not project specific. Project cost estimating accuracy depends on the accuracy of the data and the value assigned to the data. Software programs can identify data categories and cost estimating guides can provide costs. It is the user’s ability of combining the information for the specific project that will provide an accurate cost estimate.

The Joint Committee members had several concerns. First, they were interested in the procedure when the cost of all of the bids exceeds the funding available. When that occurs, projects can be revised and rebid, or all bids rejected. The second concern was the pre qualification of bidders. One thing that the State of Kansas does that may be different from other states is that, per statute, the Department of Administration is responsible for establishing responsible bidders. The process that is in place today is a pre qualification process. This process is not intended to exclude contractors, but rather to identify contractors where there have been problems in the past, notify them of the problems, have them correct the problems, and get them to be responsible bidders. This information is on the DOA website.

It was noted that a contractor still has the ability to bid on one project even if they have not been pre qualified. If they are awarded a project and complete it, they will become pre qualified. If they are not awarded the contract, they can

continue to bid. The process doesn't exclude anyone from bidding. There are evaluation forms that are available for the contractor listing what the State is looking for. It has little to do with the kind of projects they have done but instead how they do business as a contractor.

Architectural Fees in State Contracts

At its October meeting, the Joint Committee heard testimony from the Joint Facilities Team on architectural fees in state contracts. The criteria for calculating fees paid by the agencies to the design team for the architectural and engineering design services on capital improvement projects consists of a graduated scale based on the following criteria:

- Maximum 7% below \$2,250,000 estimated construction cost. (Graduated scale is based on steps of 0.75% reduction for each increase of \$2,250,000 cost);
- Minimum 5.0 percent (above \$6,750,000);
- Maximum 4.0 percent additional, for complexity of a project, can be added to calculated base percentage;
- Contract with A/E is converted to a lump sum amount;
- Fee can be increased due to increased project scope or program, or construction circumstances beyond control of the A/E of the State.

The DFM Building Design and Construction Manual Guidelines define the negotiating committee and the negotiation process. Currently, the fees are negotiated with a member of the agency, the department the agency is under, and the Department of Administration. They negotiate the percentage fee with the architect which is then converted to a lump sum contract amount. That contract amount does not change unless there is a change in the project scope or if there

is an unforeseen or uncontrolled construction circumstance that the architectural engineer and the State of Kansas does not control. An example would be an issue with the foundation and the structural engineer has to modify the structure. The goal is to develop for approval a revised fee structure that acknowledges the services required from the A/E, and to establish an equitable fee that is less dependent on the negotiating abilities of the parties. The specific concepts that are used to develop and evaluate the fee structure are:

- Define "complexity" by identifying project types and categorizing their degree of difficulty ranging from lowest to highest in five increments;
- Establish three kinds of construction projects - new, combined (new and remodel), and remodel;
- Evaluate fee percentages in matrix using the five complexity factors and three kinds of projects, adjusted by construction cost and range of fees (minimum to maximum);
- Evaluate results with other states using similar models to assess validity of examples.

The Joint Committee had a specific question regarding architectural fees on change orders. If there is a change that the State is not responsible for, but it is an actual change where the architect is providing additional services, then the architect can charge an additional fee. That information then goes back to the negotiating committee and that is evaluated and voted upon, as it is not automatic. In addition, the Joint Committee was interested in the impact of higher material costs, like the price of steel, on architectural fees. That cost would be born by the contractor, not the state.

At the Joint Committee's December meeting, the Joint Facilities Team returned with their recommendations regarding changes to the

State's architectural fee guidelines. The Team has been evaluating the existing fees for the past 18 months, applying the following concepts and objectives:

- Compare the process used by other states to determine architectural and engineering fees;
- Create consistent and equitable fee negotiations among all agencies and design firms;
- Establish fee ranges to reflect the current level of service required by the State of Kansas;
- Eliminate the current practice of design firms to characterize all projects as "the most complex"; and
- Define the criteria of cost of construction, complexity factor, construction type, and services required using schedules and guidelines as tools to use in negotiations.

These concepts and objectives were used to evaluate nine states with approaches similar to Kansas' and were readily available via the internet. The evaluation addressed four criteria and listed solutions for the identified issues. The first is cost of construction. The Team determined that the current cost limits used in KSA 75-1263 are out-of-date and recommends adjustment to the set points of the construction costs. The second is complexity factor. The team determined there is currently no standard for complexity factor. It is currently informally based on prior projects, and there is no consistency between agencies. The Team's solution is the establishment of a list of building types based on typical components used by agencies, with five levels of complexity assigned. The third criterion is construction type. Currently, there is no set standard. It is informally based on prior projects, and there is no consistency between agencies. The Team's

solution is the establishment of three specific types - new, remodel, and combination. The fourth criterion is services required. The Team noted that currently an informal process is used and it is inconsistent. The solution is the development of a list of services typically required by state agencies and a checklist to identify what is required or not required for a specific project.

CONCLUSIONS AND RECOMMENDATIONS

The Joint Committee concurs with the Joint Facilities Team recommendations and recommends legislation to implement the proposed changes.

Regents Deferred Maintenance

The 2007 Legislature passed Senate Substitute for HB 2237, establishing the State Educational Institution Long-Term Infrastructure Maintenance Program. The Program has three components - direct funding, bond funding, and tax credits - to fund deferred maintenance at Regents governed institutions and Regents coordinated institutions. The direct funding, which is provided only for the state universities, totals \$90.0 million, including \$47.0 million from the State General Fund, over five years. The legislation makes \$100.0 million in bond funding available to Washburn University, the community colleges and the technical colleges, over a five-year period. The bond principal payments will be made by the institutions, while the bond interest payments will be made by the state, for a total state investment of \$38.1 million. The bill further authorized new tax credits effective for tax years 2008-2012 for contributions earmarked for deferred maintenance at postsecondary educational institutions; certain capital improvements at community colleges (excluding new construction and real property acquisition); and deferred maintenance and certain technology or equipment at technical

colleges which represent a five-year total state investment of \$62.5 million.

The Joint Committee on State Building Construction was given specific responsibilities in the bill. The Joint Committee is required to develop a long-term management and oversight plan for the Regents deferred maintenance projects to be presented to the 2008 Legislature. In addition, the State Board of Regents shall advise and consult with the Joint Committee regarding each project and shall not approve a project to be financed by moneys from the infrastructure maintenance fund unless the State Board of Regents has first advised and consulted with the Joint Committee. A state educational institution shall advise and consult with the Joint Committee before expenditure of any moneys from the infrastructure maintenance fund, or from any account or accounts of the infrastructure maintenance fund of such institution, for each project. No moneys received by a state educational institution as a contribution which qualifies as an income tax credit pursuant to law to finance the cost of a project may be expended unless the institution first has advised and consulted with the Joint Committee.

During the Joint Committee's July meeting, the Board of Regents Director of Facilities presented the listing of the distribution of the \$30.0 million from the Statewide Maintenance and Disaster Relief Fund for university deferred maintenance projects in FY 2008 as follows:

<u>University</u>	<u>Allocation</u>
University of Kansas	\$8,601,000
University of Kansas Medical Center	3,285,000
Kansas State University	9,066,000
Wichita State University	3,093,000
Emporia State University	1,812,000
Pittsburg State University	2,070,000
Fort Hays State University	<u>2,073,000</u>

<u>University</u>	<u>Allocation</u>
TOTAL	<u><u>\$30,000,000</u></u>

During the Joint Committee's August meeting, the universities appeared individually to present their deferred maintenance projects, which allowed them to begin their work under 2007 HB 2237.

The Joint Committee noted that in addition to the requirements under the Infrastructure Maintenance Program, the Board of Regents has implemented new principles and guidelines to address maintenance of buildings at each institution. Those principles include focusing infrastructure maintenance on "mission critical" buildings which include 429 buildings systemwide. The Board has also developed guidelines for the infrastructure maintenance projects. The first guideline involves the allocation of funding based on factors of gross square footage, building age, and complexity of the physical plant. Projects are limited to rehabilitation and repair projects, not major capital improvements, and shall not provide for additional space requirements, reflect new program requirements or include exceptional levels of finish, equipment, or similar items. The Board continues to be committed to Building Accountability Principles that include the requirement that requests for any future new privately-funded building projects include plans to cover annual maintenance and operation costs of the new facilities, subject to Board approval. In addition, the Board will review space standards and utilization of facilities when new construction is proposed to maximize the use of space on university campuses and adopt benchmarks for each campus establishing goals to actively work toward.

The first quarterly report on university deferred maintenance was presented at the Joint Committee's October meeting by the Board of Regents Director of Facilities for the quarter

ending September 30, 2007. As of the end of the quarter, three of the campuses have expended a total of \$91,032. The campuses have been hiring consultants and some small in-house projects have been started, although most of the \$91,000 at this point is for fees for some of the larger projects. The level of activity reflects the time it takes to get started as architectural programs are being developed, advertised, and interviewed. Firms are selected for larger projects, and relatively small in-house projects are started. The campuses with on-staff architects try to do as much as they can, but essentially, the infrastructure projects are engineering related and typically they do not have engineers on staff.

The Director of Facilities continued his report with an update on the bonds authorized in 2007 HB 2237. The legislation authorized \$100.0 million in bonds (\$20.0 million each fiscal year) beginning in FY 2008, to be requested by the Board of Regents from the Kansas Development Finance Authority (KDFA) for Washburn University, the 19 community colleges and five technical colleges. The principal and interest for the bonds will be paid from the State General Fund (SGF) with the institutions reimbursing the SGF for the principal portion of the payments each year. The bonds will be let as 8-year bonds, with a cap of \$15.0 million in bonds per institution over the five-year period. Bond payments begin after July 1, 2008. Before requesting the bonds from KDFA, the legislation requires the Board to review the requests to determine both need and capacity of the institution to repay the bonds. The capacity to repay the bonds will be further reviewed by the KDFA.

The KDFA has been working with the Board staff and the 25 public postsecondary institutions eligible to participate in the implementation of this new program. Since the close of the session, the following steps have been taken:

- The KDFA prepared a summary of the loan provisions of the legislation and shared it with all eligible institutions;
- Board staff and KDFA convened a meeting on July 25, 2007, of all 25 postsecondary institutions to discuss the program and gather input on the implementation, including a survey;
- KDFA and Board staff developed and distributed a Postsecondary Education Institution (PEI) Loan Survey that was distributed to all eligible institutions for completion. The purpose of the survey was to gather data from the eligible institutions under the program to get a sense of the demand for the PEI loan program in its current form, and also to gather information about the demand implications of expanding the 8-year amortization to a longer duration. The survey results contained 470 projects identified by 22 institutions. At this point, no attempt has been made to screen the identified projects and their associated descriptions for compliance with the program's authorization;
- Current activities include finalizing the loan application, working with the 25 institutions to develop an approach to the allocation of the bonding authority, and working on "clean up" amendments for consideration by the 2008 Legislature, *i.e.*, increasing the loan amortization from 8 years to 20 years.

Although the tax credits do not become available until July 1, 2008, the Board office has been working with Secretary Joan Wagnon and the Department of Revenue (DOR), along with the 31 public postsecondary participating institutions, to implement this new program. Since the close of the Session, the following steps have been taken to prepare for the July 1, 2008, date when taxpayers can make contributions:

- On May 21, 2007, the DOR sent a summary of tax credit provisions of the legislation along with the Q & A fact sheet to all eligible institutions;

- On July 25, 2007, the DOR convened a meeting inviting the participation of all 31 postsecondary institutions to discuss the program and gather input on the implementation regulations. Draft regulations are currently moving through the review process;
- Representatives from the state universities and the Board office met with Secretary Wagnon to agree upon a methodology for the tax credit allocation formula. Based upon the language and intent of the statute, it was determined that the allocation take into consideration the square footage, age, and complexity of the buildings and infrastructure at each state education institution. This will be known as the “adjusted square footage.” The percentage of adjusted square footage each institution represents of the total will be applied to the total available project funds from private sources resulting from the tax credit.

At its November meeting, the Joint Committee concluded its discussion of the Long-Term Infrastructure Maintenance Program with testimony from the Board of Regents, Kansas Association of Technical Schools and Colleges (KATSC), Kansas Development Finance Authority (KDFA), and Department of Revenue about possible changes to the existing legislation to address concerns that have been identified during the implementation process.

KDFA recommended two policy changes. The first was to remove the \$20.0 million annual cap on the bond authority, based on the concern that the result would be less economically efficient transactions. Typically, larger pooled transactions save money through both economies of scale in spreading out issuance costs, as well as garnering more market competition for the securities, resulting in lower interest rates. The second was to extend the limitation on maturity of the bonds from 8 years to 15 to 20 years, based

on the assumption that the useful life of capital improvements is 25 to 30 years or more.

The KATSC noted that 2007 HB 2237 excluded technical schools from the bond and tax credit provisions and asked that consideration be given to including them, without decreasing the current allocation of resources in the legislation. The four technical schools and Northeast Kansas Technical College are required by 2007 HB 2556 to submit a plan to merge, affiliate, or become a free-standing degree granting institution by July 1, 2008, to the Kansas Board of Regents. The KATSC argued that while this change in status was the reason these institutions were excluded from the legislation, it does change their need for repair, renovation, and equipment.

CONCLUSIONS AND RECOMMENDATIONS

The Joint Committee had three conclusions regarding postsecondary education infrastructure maintenance.

- The Joint Committee concluded that an independent oversight body is not necessary to monitor the Regents governed and coordinated institutions’ deferred maintenance. The reporting requirements set forth in 2007 HB 2237 will provide sufficient oversight through the Joint Committee. However, the Joint Committee recommended legislation to eliminate the requirement that the universities present their deferred maintenance projects before funds can be expended. The report from the Board of Regents before the funds are distributed, as well as the Joint Committee’s review of both the university five-year capital improvements plan and annual capital improvements budget request should provide appropriate oversight.
- The Joint Committee believes that provisions of the legislation on the bonds for Washburn University, the community colleges, and the

technical colleges are appropriate, but has recommended the introduction of legislation for further discussion by the 2008 Legislature to:

- Remove the \$20.0 million annual cap on bonds;
 - Extend the bond term from 8 to 20 years; and
 - Allow the 4 technical schools and Northeast Kansas Technical College to participate in the bonds once they have submitted their plan to merge, affiliate, or become a free-standing, degree-granting institution to the Board of Regents and the Board has approved the plan. In addition, as each institution fulfills this requirement, the total bond authority of \$100.0 million will be increased by \$4.0 million, with the newly added institutions having first priority at accessing the additional bond funds.
- The Joint Committee believes that provisions of the legislation on the tax credits for all of the institutions are appropriate, but has recommended the introduction of legislation for further discussion by the 2008 Legislature to include the 4 technical schools and Northeast Kansas Technical College to participate in the tax credit once they have submitted their plan to merge, affiliate, or become a free-standing degree granting institution to the Board of Regents and the Board has approved the plan. In addition, as each institution fulfills this requirement, the total tax credit for that year will be increased by the amount prorated to the technical colleges for that tax year.

Department of Administration

Utility Tunnels

During its review of the Department of Administration five-year capital improvements plan in October, the Joint Committee heard testimony about the Capitol Complex maintenance tunnel replacement, which the Department of Administration estimates will cost \$3.0 million, all from the State General Fund. According to the Department of Administration, there have been areas of the tunnel that have caved in and have water standing on the dirt floor of the tunnel. This area becomes hazardous for employees to enter and work in the tunnel.

The tunnel provides service to the Landon Building, Memorial Hall, Curtis Building, and the Judicial Center. With this tunnel containing steam piping, electrical service, and communication conduit, a collapse of this tunnel could sever service to these buildings for an extended period of time while repairs are made. From inside the tunnel, one can look up and actually see the shadow of the overhead vehicle tires as they travel down 10th Street. There are other areas of the tunnel that have caved in.

The Joint Committee expressed several concerns about the condition of the tunnel. First, the area is hazardous for employees to enter and work because areas of the tunnel have caved in and there is water standing on the dirt floor of the tunnel. The second is that a potential collapse of the tunnel could disrupt utility service to Capitol Complex buildings and parts of downtown Topeka. The third is that a collapse of the tunnel could cause harm to not only state employees but also the general public.

It was noted that this project has been on the agency capital improvement list for the last five years, but has not been funded. The agency was asked to return in November with alternatives for addressing the utility tunnel repairs.

At the Joint Committee's November meeting the Department of Administration reported that

emergency repairs to the tunnel would cost \$370,170. The repairs would be as follows:

- Stop the water infiltration of the tunnel south of 10th Street which serves the Judicial Center;
- Installation of a new sump pump to drain the tunnel from the Statehouse to Memorial Hall;
- Fix the public utility penetrations of the tunnel walls;
- Repair and seal some of the major joints and fractures in the tunnel walls and roof;
- Installation of strut pipes and bearing plates to slow down wall displacement; and
- Repairs to the existing pipe and conduit support frame.

When asked, the agency indicated that they did not have funding available to make the necessary emergency repairs. The Joint Committee sent a letter to the Governor, asking her to consider funding the emergency repairs from the State Emergency Fund, at the December 5, 2007, State Finance Council meeting. The project was considered, and the Department of Administration pledged to begin making the repairs from existing funds, if the Legislature would support supplemental funding for the project in the Department of Administration budget in the current year.

CONCLUSIONS AND RECOMMENDATIONS

The Joint Committee recommends an additional \$370,170, all from the State General Fund, for the Department of Administration in FY 2008 to fund the Capitol Complex Utility Tunnel Repairs.

The Dillon House

The Dillon House was completed in 1913, as a private residence for the Hiram Price Dillon Family. In 1942, after the death of Hiram Price Dillon and his wife, Susie Finley Brown Dillon, the property was purchased by the American Home Life Insurance Company and used as its corporate office. In 1970, the property changed hands again. It was purchased by the First Presbyterian Church of Topeka for use as a community house, Sunday school, and day care. In 1998, it was purchased by the State from the First Presbyterian Church and is currently used for meetings, hearings, receptions, and other functions.

As a property of the State, the three-story Dillon House has a unique position. While it is owned by the State and maintained by the Department of Administration, it is the Legislature that controls the use and assignment of space in the building, much like the Capitol. While the building has three stories and a basement, the initial renovation of the building in 1998 included only the first floor. Maintenance on the upper floors and exterior was deferred. The Department of Administration has evaluated the building and considers it to be in poor condition. The roof has significant leaks that are causing deterioration to the building structure and present a potential for mold.

The current President of the Friends of Cedar Crest Association, Inc. and advocate for the rehabilitation and reuse of the Dillon House spoke to the Joint Committee about the potential availability of private funds to rehabilitate the Dillon House. She noted that funding could come from a single private entity or group, the creation of a Friends of Dillon Association as a 501(c)(3) organization by Kansas statute to raise and collect funds, the addition of the Dillon House to the scope of an existing related fund-raising entity, like the Capitol Foundation and the conditional sale or lease of the Dillon House to a private entity or group requiring their commitment,

capacity, and approved plan to rehabilitate the Dillon House according to the Secretary of the Interior's Standards for Rehabilitation.

CONCLUSIONS AND RECOMMENDATIONS

The Joint Committee recommends that the State Historical Society, Kansas Insurance Department, Department of Administration, the

Chairmen of both the Senate Ways and Means Committee and the House Appropriations Committee, the Chairperson and the Vice-Chairperson of the Joint Committee on State Building Construction Senator Laura Kelly, and Carol Duffy McDowell work together to develop a recommendation for the Dillon House and present it to the Joint Committee on State Building Construction during the 2008 Session.

**Kansas Department of Administration
Duane A. Goossen, Secretary
Carol L. Foreman, Deputy Secretary
1000 S.W. Jackson, Suite 500
(785) 296-3011**

**Senate Ways and Means Committee
Update: Utility Tunnel, Docking Building and Dillon House**

**Marilyn L. Jacobson, Director
Division of Finance and Facilities Management
February 1, 2008**

Thank you for the opportunity to provide an update on the Utility Tunnel, Docking Building and Dillon House.

Capitol Complex Utility Tunnel

Background

In October, at the Joint Committee on State Building Construction, the Department of Administration requested funding in the Five-Year Capitol Improvement Plan to replace the 80 year old maintenance tunnel for utility systems. Although this is not a pedestrian tunnel, Division of Facilities Management employees enter this tunnel area every shift to verify the integrity of the tunnel and the systems it accommodates. Due to the age of this tunnel, water enters the tunnel from rain and the watering of the lawn through the top due to the failing brick construction. There have been areas of the tunnel that have caved in and with water standing on the dirt floor of the tunnel, this area becomes hazardous for employees to enter and work.

The tunnel provides service to the Landon Building, Memorial Hall, Curtis Building and the Judicial Center. With this tunnel containing steam piping, electrical service and communication conduit, a collapse of this tunnel could sever service to these buildings for an extended period of time while repairs are made as well as parts of downtown Topeka.

The committee requested DOA to provide additional information in response to three areas at their November 30th meeting:

- Evaluate the tunnel for immediate repairs that should be done in the interim while design and construction is done on a final solution.
- Evaluate the feasibility of repairing the existing utility tunnels.

- Evaluate installing new utility trenches and tunnels to serve the buildings previously identified. As part of this evaluation three different scenarios of routing were reviewed.

Smith and Boucher Engineers from Olathe conducted the evaluation during the month of November. Several site visits to the tunnels and conferences with the public utilities and the City of Topeka were conducted to verify the conditions of the existing tunnels and distribution systems, the existing conditions of the public utilities crossing the existing tunnels and general layout of the existing public utilities adjacent to the existing and proposed alternate tunnel sites. Review of available construction and utility drawings and steam loads was also performed.

Major life safety issues which were identified in the report as an immediate concern are as follows:

- Continuous spalling of the concrete and water infiltration; and
- There are two 13,200 volt power lines along Jackson Street. Both lines are in conduit with the lines crossing the utility tunnel encased in concrete. The lines serve the Capitol Complex and parts of downtown Topeka. The encasement and pipes are broken, exposing live high voltage cables.

Temporary Repairs - \$370,170

The temporary repairs are for stopping the water infiltration of the tunnel south of 10th Street which serve the Judicial Center; installation of new sump pump to drain the tunnel from the Statehouse to Memorial Hall; fixing the public utility penetrations of the tunnel walls; repair and seal some of the major joints and fractures in the tunnel walls and roof; installation of strut pipes and bearing plates to slow down wall displacement; and repairs to the existing pipe and conduit support framing. These repairs will extend the life of the tunnel and utilities for two years.

The recommendation in the Engineering Report as well as from the Joint Committee on State Building Construction and the State Finance Council was to immediately do the temporary repairs to the tunnel while designing a long term solution. DOA is moving forward with the temporary repairs. Surveying of the tunnel has begun, construction documents have been received, and work with Westar continues as to needed repairs. The Governor has included the temporary repairs in her FY 2008 budget as recommended by the State Finance Council.

Long-Term Solution - \$2,903,667

Several routings of new tunnel and pipe trench were evaluated. The conclusion that was reached is that it is cost effective to use buildings rather than the new tunnel where practical (i.e. run steam piping through Landon and Memorial rather than building a pipe trench between 9th and 10th Street on Jackson). The cost estimate is based upon design

starting within six months and construction beginning in 12 months. These time frames are critical due to the high inflation rate on steel and concrete at this time (25-30%). This project has the potential to reduce natural gas bills by approximately \$10,000 per year due to improving insulation on the steam piping and decreasing moisture damage.

Docking (DSOB)

The DSOB was completed in 1956 and has a building condition value of 55 (poor). A majority of the building is heated and air conditioned by a perimeter fan coil system that was installed in 1955 and has a typical service life of 20 years. The electrical distribution, transformer, panel boards and light fixtures are the original electrical equipment from 1955. The typical service life of the electrical equipment is 30 years.

The DOA recommendation is to reconstruct DSOB. Occupants will be moved out of the building into leased space. DSOB will then be reconstructed by taking it down to its base structure and rebuilding it. The heat plant will be kept operational along with the Statehouse chilled water system. The existing heat plant located in the basement scores very high on the building condition scale, has an estimated useful life of at least 20 years and has enough capacity to sustain the existing infrastructure, which includes most of the capitol complex buildings. The new cooling tower will also stay and be used to support a new chilled water plant in the basement which will be sized to serve both the Statehouse and a reconstructed DSOB. Capacity and usable square footage would increase slightly in a reconstructed DSOB due to more efficient use of space. Seat capacity would increase by 369 FTE for a total of 1,920. Usable square footage increases by 27,349 feet for a total of 384,000.

Current construction estimate to reconstruct Docking is \$77,426,276. This estimate is in today's dollars and does not include inflation. Additionally, the estimate does not include utility costs during construction, furnishings or moving costs. An assumption was also made that central monitoring, central mail and data centers would be relocated outside the capitol complex. The Governor has included \$1,000,000 from the expanded gaming revenues in her FY 2009 budget to begin the planning phase of this project.

Remaining Capitol Complex Buildings

In order to address deferred maintenance issues in the remaining capitol complex buildings (Eisenhower, Judicial Center, Memorial, Curtis, Statehouse) as well as future needs to maintain the buildings at an acceptable level of quality and reliability the Governor has included \$3,000,000 from the expanded gaming revenues in her FY 2009 budget to establish a stable base to address these issues. The Association of Physical Plant Administrators Maintenance and Operation of Buildings and Grounds Manual recommends two – four percent of the building replacement cost be budgeted annually for routine maintenance and repair of buildings.

Dillon House

The Joint Committee on State Building Construction has appointed a Task Force to pursue private and federal funding for repairs to the Dillon House. The task force met for the first time yesterday.

Thank you and I will stand for questions.

Reconstruction of Docking

Description

Occupants will be moved out of the Docking Building into lease space. The Docking Building will then be reconstructed by taking it down to its base structure and rebuilding it. The heat plant will be kept operational along with the Statehouse chilled water system. The existing heat plant located in DSOB scores very high on the BCI scale, has an estimated useful life of at least 20 years and has enough capacity to sustain the existing infrastructure, which includes most of the complex buildings. The new cooling towers will also stay and be used to support a new chilled water plant built in the Docking building basement which will be sized to serve both the Statehouse and a reconstructed Docking Building.

Capacity

Current seat capacity: 1,551

New seat capacity: 1,920

Square Footage

Current Usable: 356,651 Gross: 564,138

New Usable: 384,000 Gross: 575,040

Condition

Year Built: 1956

2007 Building Condition Value: 55 (poor)

Life Cycle Information: A majority of the building is heated and air conditioned by a perimeter fan coil system that was installed in 1955. This equipment should have been replaced in 1975 given the typical service life of fan coils is 20 years. All the electrical distribution, transformer and panel boards were installed in 1955. This equipment should have been replaced in 1985 given the typical service life of this electrical equipment is 30 years. A majority of the light fixtures were installed in 1955 and also should have been replaced in 1985.

Assumptions and Considerations*

- Construction estimate to reconstruct Docking: **\$77,426,276.**
- Utility costs should be added to the cost of construction during time of construction (unknown expense).
- Furnishing costs of \$5,000 per seat for new system furniture or \$1,600 per person using existing system furniture.
- Rent rates will increase 14% from current rate of \$16.13 for remaining tenants in complex during construction.
- Moving costs of \$200 per person.
- Central Monitoring to relocate (\$439,200).
- Central Mail to relocate elsewhere (\$1,915,705).
- Capitol Complex Data Centers to relocate elsewhere (\$5,856,000).

*All numbers above are estimates taken in today's dollars and are not reflective of true cost of construction. Inflation to middle of construction should be considered at a rate of 5% per year.

Docking Repair

Description

The Docking Building will be kept occupied while individual repairs are done to the building.

Capacity

Current seat capacity: 1,551

Square Footage

Current Usable: 356,651 Gross: 564,138

Condition

Year Built: 1956

2007 Building Condition Value: 53 (poor)

Life Cycle Information: A majority of the building is heated and air conditioned by a perimeter fan coil system that was installed in 1955. This equipment should have been replaced in 1975 given the typical service life of fan coils is 20 years. All the electrical distribution, transformer and panel boards were installed in 1955. This equipment should have been replaced in 1985 given the typical service life of this electrical equipment is 30 years. A majority of the light fixtures were installed in 1955 and also should have been replaced in 1985.

Assumptions and Considerations*

- Construction estimate for individual repairs to Docking: **\$147,750,785.**
 - Replace Air Handler Units
 - HVAC Piping
 - Ductwork Replace
 - VAV Boxes and Controls
 - Replace Statehouse Chillers
 - Fire Protections
 - Electrical and Lighting
 - Ceiling
 - Carpeting
 - News Walls and Finish
 - Hazardous Material Abatement
 - Roofing and Waterproofing
 - Exterior Wall
 - Elevators
 - Foundation Repairs

*All numbers above are estimates taken in today's dollars and are not reflective of true cost of construction. Inflation to middle of construction should be considered at a rate of 5% per year.

TESTIMONY BEFORE THE SENATE WAYS & MEANS COMMITTEE

STEPHEN R. WEATHERFORD, PRESIDENT

KANSAS DEVELOPMENT FINANCE AUTHORITY

FRIDAY, FEBRUARY 1, 2008

Good morning Mr. Chairman & Members of the Committee, and thank you for the opportunity to discuss certain provisions of SB 415 relating to the Postsecondary Educational Institution Infrastructure Finance Program (the "Program") as authorized by House Bill 2237 (the "Act") to be administered by the Kansas Board of Regents, (the "Regents") and Kansas Development Finance Authority ("K DFA").

This Program is somewhat unusual, in that;

1. Postsecondary Educational Institution borrowers are responsible for repayment of principal on the bonds through the mechanism of the underlying loan agreements.
2. State General Fund is responsible for paying the interest component of the bonds

K DFA staff have been working closely with Regents Staff and representatives of the Community Colleges, Technical Colleges and Washburn (collectively, the "PEIs") to structure and implement the Program authorized pursuant to Sections 8 – 12 of the Act. We are here today to discuss our continuing progress on the implementation of the Program as we structure the first financing, and to explain certain amendments that we offer in concert with the Regents and the PEIs.

Based on the authorizations contained in HB 2237, K DFA and the Board of Regents staff developed a loan survey which the Board distributed to each PEI to ascertain the institution's projected deferred maintenance and loan needs which might be addressed through a Program Loan

Project Summary:

Projects Identified for PEI Loan Program:	470 (number includes JCCC's 216 projects)*
PEI Loan Demand:	\$110,019,400 (\$59,386,842 on 8 year amortization)
Program Capacity (as authorized):	\$100,000,000
Individual Institution Limit:	\$15,000,000 per the statutory cap.
Institutions Request Over Statutory Limit:	Butler County - \$17,420,000 (\$2,420,000) Johnson County - \$18,917,583 (\$3,917,583) Hutchinson County - \$22,450,000 (\$7,450,000)

Eliminating the over-capacity needs of these three institutions nearly eliminates the excess demand over the statutory limits of the program.

**JCCC's 216 projects are estimated to cost \$18,917,583 (calculated as the average of low and high project cost estimates) with one single project (Library Building Renovation) dominating the projected cost (\$14,000,000 or 74% of their request).*

KDFA and Regents staff have analyzed the legislation and identified certain challenges while structuring the first financing for the Program, and would propose the following technical corrections or suggested revisions as contained in SB 415:

- Section 4 (a)(1) line 24 now reads: “The aggregate principal amount of bonds issued under the program shall not exceed \$100,000,000” (omits the words: *in a single fiscal year*) which is a technical error in HB 2237.
- Section 4 (a)(1) lines 29-33 are stricken; this provision in HB 2237 limits the amount of bonds issued in any single fiscal year to \$20 million; this cap may actually result in less economically efficient transactions, since typically, larger pooled transactions save money both through economies of scale in spreading out issuance costs among multiple borrowers as well as garnering more market competition for the bonds resulting in lower interest rates. KDFA’s goal on behalf of the State is to always structure the most market efficient transactions possible in order to achieve the lowest cost of borrowing.
- Section 4(c) lines 25-27; this provision in HB 2237 limits the maturity on the bonds to a period of 8 years. This is a very short, atypical length of time over which to amortize bonds for major capital improvements, and creates an onerous burden on the PEIs in terms of their ability to repay the principal on the bonds for capital improvements which may approach \$15,000,000. It is far more typical to amortize capital improvements over a period of 20 to 30 years, presuming the useful life of the capital improvements is 25 to 30 years or more. Section 4(c) of SB 415 would allow the bonds to amortize over a more standard 20 year period. KDFA is providing numbers based on 8, 15 and 20 year runs to allow the Committee to better understand projected interest costs, which are to be paid by the State General Fund.

KDFA understands that SB 415 also proposes to expand the definition of PEI to include technical schools, and authorizes, pursuant to certain qualifying measures, the issuance of an additional \$4,000,000 in bonds for each technical school which becomes eligible to seek financing under Regents and Program requirements. It is KDFA’s understanding that this could involve five technical schools, which could add approximately another \$20,000,000 to the aggregate authorization but we would defer to Regents staff to respond more precisely to questions about this new authorization.

I would be happy to answer any questions you may have about KDFA’s role in the Program.

KDFA’s staff will continue to work with Regents staff and the PEIs, and anticipates a first \$20 million bond issuance pursuant to the provisions of the authorization in early March, 2008.

Thank you again for the opportunity to provide this update.

**Kansas Board of Regents
Fiscal Note - SB 415**

8-Year Amortization				4.00%
Year	Issued	Amortized	Outstanding	Interest
2008	20,000,000		20,000,000	-
2009	20,000,000	2,500,000	40,000,000	1,600,000
2010	20,000,000	5,000,000	57,500,000	2,300,000
2011	20,000,000	7,500,000	72,500,000	2,900,000
2012	20,000,000	10,000,000	85,000,000	3,400,000
2013		12,500,000	75,000,000	3,000,000
2014		12,500,000	62,500,000	2,500,000
2015		12,500,000	50,000,000	2,000,000
2016		12,500,000	37,500,000	1,500,000
2017		10,000,000	25,000,000	1,000,000
2018		7,500,000	15,000,000	600,000
2019		5,000,000	7,500,000	300,000
2020		2,500,000	2,500,000	100,000
			total interest	21,200,000

15-Year Amortization				4.50%
Year	Issued	Amortized	Outstanding	Interest
2008	20,000,000		20,000,000	-
2009	20,000,000	1,333,333	40,000,000	1,800,000
2010	20,000,000	2,666,667	58,666,667	2,640,000
2011	20,000,000	4,000,000	76,000,000	3,420,000
2012	20,000,000	5,333,333	92,000,000	4,140,000
2013		6,666,667	86,666,667	3,900,000
2014		6,666,667	80,000,000	3,600,000
2015		6,666,667	73,333,333	3,300,000
2016		6,666,667	66,666,667	3,000,000
2017		6,666,667	60,000,000	2,700,000
2018		6,666,667	53,333,333	2,400,000
2019		6,666,667	46,666,667	2,100,000
2020		6,666,667	40,000,000	1,800,000
2021		6,666,667	33,333,333	1,500,000
2022		6,666,667	26,666,667	1,200,000
2023		6,666,667	20,000,000	900,000
2024		5,333,333	13,333,333	600,000
2025		4,000,000	8,000,000	360,000
2026		2,666,667	4,000,000	180,000
2027		1,333,333	1,333,333	60,000
			total interest	39,600,000

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20-Year Amortization				5.00%
Year	Issued	Amortized	Outstanding	Interest
2008	20,000,000		20,000,000	-
2009	20,000,000	1,000,000	40,000,000	2,000,000
2010	20,000,000	2,000,000	59,000,000	2,950,000
2011	20,000,000	3,000,000	77,000,000	3,850,000
2012	20,000,000	4,000,000	94,000,000	4,700,000
2013		5,000,000	90,000,000	4,500,000
2014		5,000,000	85,000,000	4,250,000
2015		5,000,000	80,000,000	4,000,000
2016		5,000,000	75,000,000	3,750,000
2017		5,000,000	70,000,000	3,500,000
2018		5,000,000	65,000,000	3,250,000
2019		5,000,000	60,000,000	3,000,000
2020		5,000,000	55,000,000	2,750,000
2021		5,000,000	50,000,000	2,500,000
2022		5,000,000	45,000,000	2,250,000
2023		5,000,000	40,000,000	2,000,000
2024		5,000,000	35,000,000	1,750,000
2025		5,000,000	30,000,000	1,500,000
2026		5,000,000	25,000,000	1,250,000
2027		5,000,000	20,000,000	1,000,000
2028		5,000,000	15,000,000	750,000
2029		4,000,000	10,000,000	500,000
2030		3,000,000	6,000,000	300,000
2031		2,000,000	3,000,000	150,000
2032		1,000,000	1,000,000	50,000
total interest				56,500,000

20-Year Amortization PLUS \$20M Additional				5.00%
Year	Issued	Amortized	Outstanding	Interest
2008	20,000,000		20,000,000	-
2009	40,000,000	1,000,000	60,000,000	3,000,000
2010	20,000,000	3,000,000	79,000,000	3,950,000
2011	20,000,000	4,000,000	96,000,000	4,800,000
2012	20,000,000	5,000,000	112,000,000	5,600,000
2013		6,000,000	107,000,000	5,350,000
2014		6,000,000	101,000,000	5,050,000
2015		6,000,000	95,000,000	4,750,000
2016		6,000,000	89,000,000	4,450,000
2017		6,000,000	83,000,000	4,150,000
2018		6,000,000	77,000,000	3,850,000
2019		6,000,000	71,000,000	3,550,000
2020		6,000,000	65,000,000	3,250,000
2021		6,000,000	59,000,000	2,950,000
2022		6,000,000	53,000,000	2,650,000
2023		6,000,000	47,000,000	2,350,000
2024		6,000,000	41,000,000	2,050,000
2025		6,000,000	35,000,000	1,750,000
2026		6,000,000	29,000,000	1,450,000
2027		6,000,000	23,000,000	1,150,000
2028		6,000,000	17,000,000	850,000
2029		5,000,000	11,000,000	550,000
2030		3,000,000	6,000,000	300,000
2031		2,000,000	3,000,000	150,000
2032		1,000,000	1,000,000	50,000
total interest				68,000,000



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**Senate Ways and Means Committee
February 1, 2008**

Amendments to Postsecondary Educational Institution Infrastructure Act – SB 415

Diane Duffy, Vice-President, Finance & Administration

Mr. Chairman and Members of the Committee, I am here to provide you with information related to proposed amendments to various statutes enacted last session as part of the Postsecondary Educational Institution Long-Term Infrastructure Maintenance Program. I was before this Committee last Friday, January 25th, to update you on the implementation of this very important legislation, including the three important financing components: (1) Direct State Funds/University Interest Earnings; (2) Bonding Authority - No Interest Loans; and (3) tax credits.

During this first year's implementation several issues came to the attention of Board staff and the Board authorized bringing forward several amendments to the original legislation:

1. Increasing the loan amortization from 8 year to 20 years (at the request of some institutions who are finding it difficult to take advantage of the program because of the eight-year payback)
2. Adding student health fee funds and university service, suspense and clearing funds to those university funds that receive interest earnings (an estimated \$930,000) and must be used for deferred maintenance projects, and
3. Making any technical amendments to the bonding program suggested by the Kansas Development Finance Authority.

I presented the Board's suggestions to the Joint Committee on State Building Construction in testimony on November 29, 2007, and, along with proposals from other conferees, the Committee introduced the bill that is before you today.

Recap of the Provisions of SB 415

Section 1 deals with the four technical schools (Kansas City Area Technical School, Kaw Area Technical School, Salina Area Technical School and Southwest Kansas Technical School) and one technical college that is not Higher Learning Commission accredited, Northeast Kansas Technical College. The governing body of each technical school or college is to submit to the Board of Regents a plan to merge or affiliate with a postsecondary educational institution or become an accredited technical college with an independent

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governing board. Any transition plan approved by the Board would need to be implemented on or before July 1, 2009.

Section 2 is technical in nature and clarifies the review process by the Joint Committee on State Building Construction.

Sections 3 and 4 authorize a technical school or college which has submitted a plan **approved** by the Board of Regents to merge or affiliate or become an accredited college to participate in the infrastructure finance program (bond program). The \$100 million bonding limitation is increased in an amount equal to \$4 million for each qualifying technical institution. Potentially, this would increase the bonding authority to a total of \$120 million. Applications for loans from these technical institutions shall be given first priority for the additional authority. Any authority remaining may be reallocated to other eligible postsecondary educational institutions. Section 4 also eliminates the requirement that bonds issued in a single fiscal year shall not exceed \$20 million and increases the authorized loan amortization from 8 years to 20 years.

The principal and interest for the bonds is to be paid from the State General Fund, with the institutions reimbursing the State General Fund for the principal portion of the payments each year. K DFA estimates the fiscal impact to the State General Fund of increasing the bonding authority by \$20 million and increasing the loan amortization to 20 years to be \$46.8 million.

As I reported to you last week, we are implementing Year 1 of the bond program. Of the 25 institutions eligible for the program, 14 institutions submitted applications totaling \$34.0 million. In accordance with the current statute, the Board approved \$20 million in applications at its January 16, 2008, meeting.

Section 5 authorizes a technical school or college which has submitted a plan **approved** by the Board of Regents to merge or affiliate or become an accredited college to participate in the tax credit program. The limitation imposed on the total amount of tax credits is increased by \$78,125 for each qualifying technical school or college for tax year 2008; by \$156,250 for TY 2009 and by \$208,333 for TY 2010, 2011 and 2012. Assuming that all tax credits are utilized, each of the five institutions would generate private contributions for projects of \$130,308 in tax year 2008, \$260,416 in tax year 2009, and \$347,208 for tax years 2010 through 2012.

Based on the fiscal note from the original legislation, the impact of the credits to the State General Fund would be \$4.3 million, assuming all credits are utilized by these institutions.

Suggestions for SB 415

1. Consider amending the law to add state universities' health fees funds and service and other clearing funds to those university funds that receive interest earnings. This would result in the addition of an estimated \$930,000 annually in funding available for deferred maintenance projects. Last years' legislation authorized the state

universities to receive interest on General Fees Fund (tuition), Restricted Fees Fund, and Sponsored Research Overhead Funds dedicated to deferred maintenance tallying an estimated \$8.6 million per year.

2. Consider clarifying language requiring the Board to certify to the Kansas Department of Revenue and the Kansas Finance Development Authority that a technical institution has achieved substantial compliance and is eligible to participate in the bond and tax credit programs, respectively.

Section 1 (b) The State Board shall certify to the President of the Kansas development finance authority and the secretary of revenue whenever a technical school or college has achieved substantial compliance with subsection (a) of this section.

Mr. Chairman, thanks very much for the opportunity to appear before you today. I would be happy to stand for any questions.



Johnson County Community College
12345 College Blvd.
Overland Park, Kansas 66210-1299
913-469-8500 www.jccc.edu

Johnson County Community College
Dr. Terry Calaway
President

Senate Bill 415

On behalf of Johnson County Community College we want to express our wholehearted support for Senate Bill 415. We are grateful for the effort made by the Senate, in SB 415, to address the deferred maintenance needs of the state's higher education institutions through the utilization of bonds and tax credits.

Bond Program

JCCC did not participate in the first year of the bond program.

Currently, our campus is engaged in discussions with our trustees, college faculty and staff, as well as members of our community regarding the possibility of various projects that could utilize the bonding program.

You will be among the first to know once our plans are resolved.

Tax Credits

We are especially excited about the prospects of addressing our deferred maintenance needs through the utilization of tax credits based on charitable donations.

These types of tax credits are essential to creating those public/private partnerships which are critical building blocks for the future of our public institutions.

Currently in SB 415, each community and technical college is limited regarding the number of tax credits they can utilize each year.

Using this approach, there is the potential for tax credits to go unused if a community or technical college doesn't qualify.

Our hope is that you will consider an approach to ensure that as many tax credits as possible are used annually to help our community and technical colleges address their deferred maintenance needs. Implementing a pooling process would allow community and technical colleges to fully benefit from the credits allocated.

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Senate Committee on Ways and Means
February 1, 2008

Written Testimony in Support of SB 415

Chairman Umbarger and Honorable members:

First, a little history as to how we arrived to where we are today and the need to include the technical schools and Northeast Kansas Technical College in SB 415.

At the time HB 2237 was created, it was thought there would not be any technical schools left when the bill takes effect. Further, I can only assume that it was anticipated that no new independent technical colleges would be created. In other words, the non-degree granting technical institutions were excluded from receiving any of these funds.

By including the four Technical Schools and Northeast Kansas Technical College in SB 415 you are allowing us to meet our needs for deferred maintenance the same as the other technical institutions. SB 415 also avoids the problem, for those of us that are going to merge, of adding the cost of our deferred maintenance needs to the institution we are merging with.

Further, as has been previously explained, many of the technical institutions are already aligning with business and industry leaders to take advantage of these funds by offering the opportunity to business partners to leverage these dollars into additional training opportunities for high demand, high skill, high wage occupations. Put another way, SB 415 will help us meet the demands for a skilled workforce and help Kansas remain competitive in a global economy.

This will not be easy. The political obstacles, both internal and external, should not be underestimated. State budget constraints are likely to continue. The public investment needed to increase capacity for education and training beyond high school will have to be found in a highly competitive budgetary environment. The need for higher education that is cost effective for the State as well as for students and families has never been greater. Obviously, this will challenge Kansas to allocate its financial resources in creative, new ways that deliver high quality technical education to the largest number of students at the least cost.

SB 415 will do just that, take a little bit of money and leverage it into a huge ongoing commitment for the support of technical education.

In conclusion, as Director of Kaw Area Technical School, I speak for all technical institutions when I say passing HB 2237 was a good idea. SB 415 will complete the intent of the legislature, and allow all technical institutions to participate and meet the needs of as many of your constituents as possible.

Sincerely,

Richard B. Hoffman
Director, KAW Area Technical School/Past President, KATSC

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**Testimony to the Ways and Means Committee
February 1, 2008**

**By
Russell Rudy, Buildings Team Manager
Kansas Corporation Commission (KCC) – Energy Programs Division
Energy Office**

Thank you Mr. Chairman and members of the Committee.

The “vision” of the KCC Energy Programs Division - Energy Office - Buildings Team is to eventually be able to address and provide services to Kansas citizens covering the full range of the built environment including residential, light commercial, commercial and industrial structures (including industrial processes). It is an ambitious mission to fulfill but one that we believe an Energy Office should fulfill to the benefit of the citizens of Kansas.

Please direct your attention to the first of a group of slides that are provided as a part of this presentation. The slide shows the state of energy resources in America and demonstrates that energy efficiency is the greatest potential resource we have to serve the energy needs of our country. The graph, of course addresses total energy use including transportation, agriculture, industry, buildings and all other energy use. I would share the fact that buildings alone use over a third of total energy in the US (both combustion heating fuel and electricity) and that buildings use about half of all energy produced by power plants (regardless of their fuel type), in the US. The opportunities to capture “negawatts” (kilowatts that don’t need to be produced) by improving the efficiency of our built environment are enormous.

It is important to note that typical “common-practice” construction and remodel, even Heating, Air Conditioning, and Ventilation (HVAC) improvement, does not normally consider whole building performance. I will affirm that lots of good, skilful, high-quality work is done on buildings but that it has just not been a part of the common building and remodeling paradigm to utilize cutting edge computer analysis to model the energy performance of the building and design all of the processes involved in the construction or remodel to assure that the best possible energy and environmental performance is achieved.

No one is “to blame” for this failure; it has just not been a part of the common practice paradigm. Moreover, the typical viewpoint has been that improved energy and environmental performance is only an additional expense and that it simply wont fit into the builder/developer bottom line. Last fall I had the pleasure of attending a developers roundtable meeting sponsored by the Department of Administration. The developers at the meeting were generally that group of developers who work to provide the buildings that are leased or purchased and ultimately used by the State of Kansas. The general

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attitude toward expectations that they might need to address improved energy and environmental performance was not a topic that was well understood or well received.

While the attitude is not uncommon, it is unfortunate because there is evidence that designers, builders, developers and occupants can reap significant benefits from high efficiency, high performance buildings. I would cite the example set by Wal-Mart in their efforts to improve the efficiency and environmental impact of their buildings. Some years ago an effort was made by Wal-Mart to build an "eco-Wal-Mart" in Lawrence, Kansas. The building has since been completely remodeled but perhaps some of you will remember the educational area that spoke to the energy and environmental efforts that Wal-Mart had made in that first "eco" Wal-Mart building. One of the characteristics was daylighting. Half of the store had been daylit with skylights and the other half had not. A study was done by Wal-Mart that revealed that sales were up in the daylit side of the store, and perhaps more important, employee absenteeism was down.

When one compares the cost savings to be realized by a business, employee costs are perhaps the highest expense. If an energy and environmental measure can improve employee productivity the savings from energy pale in comparison to the benefits derived from increased productivity. You may be interested in paying a visit to the new Wal-Mart that was recently built in North Topeka. The entire store is daylit; on a recent visit on a sunny day I noted that only a few strands of fluorescent lighting were operating near the store perimeter. Wal-Mart has provided us an example of the fact that energy and environmental improvements result in peripheral improvements that multiply the overall value of the energy savings.

I would also cite the example set by William McDonough (www.mcdonough.com) who built the new Headquarters building for the Nike Corporation. The new structure turned out to be so efficient, so comfortable and habitable that the productivity of the headquarters staff increased so much that the dollar value of their increased productivity paid the cost of the building. The Nike President considered the building to be a gift from William McDonough.

How often have any of us heard a Kansas State employee state how delighted they are to get up and go to work in their office or shop building every day? If we could build and remodel to the standard set by McDonough and others, might the State of Kansas enjoy the same kinds of energy savings, comfort, productivity and dollar benefits that were experienced by Wal-Mart, Nike and others?

FCIP

These opportunities do exist here in Kansas and through our Facilities Conservation Improvement Program (FCIP) we have been working to capture some of these benefits in publicly owned commercial buildings. The FCIP utilizes Energy Services Performance Contracting to reduce energy use and reallocate money budgeted for utilities to leverage lending to pay the costs of the energy conservation measures (ECMs). The second and third slides provide a simplified illustration of the Performance Contracting model and its

results. It is important to note that the participating Energy Services Companies who have entered into a contract with the State of Kansas to participate in the FCIP must, by statute; guarantee the savings that they predict will result from the ECMs.

The FCIP has been in operation since 2000 and in 2003 was extended by statute 75,37-125 beyond State buildings to serve Municipalities as well. Over the course of the six years of operation of the program we have completed 40-plus jobs spending over \$132 million dollars to complete ECMs on over 29, million square feet of public building throughout Kansas with a projected annual savings of about \$11 million dollars for the citizens of Kansas. Most of the jobs have been resoundingly successful and have experienced savings, comfort and habitability improvements that have met or exceeded predictions. On a few occasions, however, notably Kansas University, the KU Med Center, and Kansas State University, the predicted savings have not been met.

In accordance with the statutory requirements the ESCO involved with these projects has been writing checks to cover the cost of the shortfall or is involved in engineering assessment designed to lead to the correction of the problems that led to the shortfall. In an effort to assure that the Energy office and the FCIP can provide the oversight of performance analysis and engineering on our projects we hired a staff engineer who has worked with the institutions who experienced shortfalls. We have also contracted the services of three on-call energy-engineering firms to further improve our capacity to provide assurances to our customers, the citizens of Kansas, that predicted savings and benefits from the FCIP will, in fact, be realized. A recent engineering analysis of an Investment Grade Audit completed At Dodge City USD by the same company that experienced the previously noted shortfalls has revealed patterns that we feel have contributed to less than adequate performance. The Energy Office Buildings Team is working to address the issues that have been raised by our investigations and we fully expect that these practices and the problems experienced at KU and K-State will be corrected and that in all future FCIP projects predicted savings will be achieved.

GOVERNOR'S ENERGY DIRECTIVES No. 07-373

We have been working to respond to the governor's Energy Directives. Of the fourteen (14) Directives essentially four (4) apply to the built environment in ways that can be addressed by our Buildings Team. Item #2 reads as follows:

2. I am directing the Department of Administration to adopt a policy to require an energy efficiency audit on any facility being considered as Leased Space and require the landlord to either make the necessary improvements on the property or make them a condition of the lease before it is executed. Further I am directing the Department of Administration to collect energy data associated with state owned and leased space and identify locations appearing to use excessive energy.

At the KEO we worked to develop a data collection methodology including a spreadsheet that would collect 13 months of utility data from any facility that has actual metered

utility information that is specifically related to the State's use of energy in the facility. The spreadsheet would allow us to automatically enter the data into the Energy Star Portfolio Manager program to establish and maintain a benchmark of energy use in State owned and leased buildings. A test run of the program verified that the program could effectively collect data for those buildings that were metered and totally occupied by State entities. The methodology is limited in that it cannot address units that are not fully state occupied and metered. Moreover it may be difficult to apply to the Department of Administration leasing protocols in a way that would meaningfully compare existing leased properties to other properties that may be involved in a lease competition.

We realized that the majority of state leased spaces are small commercial buildings. This consort of buildings includes strip-mall type buildings and smaller buildings under 50,000 square feet. In fact it would appear that the majority might fall below 10,000 square feet. Notwithstanding the need to address these buildings in response the Energy Directives we also realized that this component of the built environment as a whole is the least recognized and the least addressed by energy efficiency auditing and diagnostics programs.

In response we are working with the Kansas Building Science Institute (KBSI) in Manhattan, Kansas in cooperation with the Association of Energy Engineers (AEE) and the United States Department of Agriculture (USDA) to develop an on-going training program that enables qualified engineers to address the energy auditing needs of commercial structures. The training will incorporate the Department of Energy (DOE) eQUEST energy efficiency audit program and will teach the skills necessary to evaluate the energy use of commercial buildings. When this group of engineers and qualified technicians completes their training they will be prepared to serve the needs of the buildings that are a part of the State of Kansas fleet of leased buildings, as well as other energy auditing needs of State and Federal programs in the State of Kansas.

We have contracted the on-call services of three energy-engineering firms to assist the KEO Buildings Team in evaluating energy-engineering issues associated with the FCIP. This group of on-call firms, and other energy-engineering firms who receive the eQUEST training, are also available to work with builders, developers and landlords to assess the energy and environmental performance of buildings that are being offered – new and remodeled – for State lease usage.

Item # 12 of the Directive reads as follows:

12. Kansas is recognized by other states as having one of the best energy savings performance contracting programs in the country, known as the Facilities Conservation Improvement Program (FCIP). The Kansas Corporation Commission's Energy Office has facilitated the implementation of energy efficiency improvements in nearly half of the 40 million square feet of state owned buildings. These improvements not only pay for themselves with reduced energy bills but also significantly reduce the emissions of greenhouse gases. I expect to implement improvements in the remaining state owned buildings by December of 2010.

We have worked with the Department of Administration to develop a memorandum of Agreement that establishes a process for addressing the energy and environmental performance of the remaining state owned buildings. Some of this activity will utilize the FCIP some will not be appropriate to energy services performance contracting. We have initiated a review of the Capital Complex of buildings, arrangements have been made to do a performance review of the Eisenhower State Office Building and one of our FCIP Energy Services Company partners, Chevron, has been selected by the D of A to complete an Investment Grade Audit. We are working with D of A to move effectively toward review of the remaining Capitol Complex and we are working with State agencies to complete review of other state owned buildings.

Item # 13 of the Directive reads as follows: *(Note that the numbering system employed by the directive did not provide numbers for the final two items of the Directive. I have added the numbers for the purposes of this report) –*

13. The FCIP is also available to local Government and School Districts and some have utilized the program. I am directing the Kansas Energy Office to accelerate efforts to market the FCIP to school districts and local governments. Kansas taxpayers should not be paying the bill for wasted energy in any of our public facilities.

We completed a new RFP soliciting the services of Energy Services Companies (ESCOs) to participate in our Facilities Conservation Improvement Program (FCIP). We have increased the number of companies who are participating in our contract from four (4) to ten (10) companies. The company's range in size from the largest in the market to smaller Kansas based companies. We employee standardized contracts for the Investment Grade Audit (IGA) and Performance Contract (PC) with our participating ESCOs and we have negotiated IGA fees and caps on mark-ups that make the FCIP process perhaps the most financially attractive performance contracting program available for our customers, the citizens of Kansas. We charge an FCIP fee to cover the administration of our program making it a completely fee-funded program that provides demonstrated benefits to public facilities in Kansas.

We currently have more new jobs in the prospect, IGA, and construction phases of the FCIP than have been completed in the first six years of the program. We are aggressively marketing the program throughout the State and we expect the numbers to continually grow. We would note that our significantly accelerating activity places a great deal of stress on the staff of three that we currently have operating the program. It is out thought that we could use as many as four more Buildings Team employees to cover our full, and growing, range of energy efficiency interests and to travel to jobs around the state, almost immediately.

Item #14 of the Directive reads as follows:

14. I will request the legislature to require the Kansas Energy Office to review all state construction projects, both new and remodeling that exceed \$100,000 for possible inclusion in the FCIP. This will include Regent's facilities. I will oppose any funding for deferred maintenance that is not subject to this requirement.

First we would establish that many projects are simply not appropriate for FCIP energy savings performance contracting. By statute, savings must pay the cost of improvements for FCIP projects, if the construction or remodeling project does not deal with or have the potential to demonstrate energy savings it does not fit with the FCIP process. Moreover, if the project will generate a total job cost of less than \$500k of so it is generally below the radar screen of energy services performance contracting. By virtue of the varying size of the companies that comprise our group of ESCO partners we are finding that we can often do jobs that are smaller and generate a lower total cost per job, but the economies of performance contracting using Energy Services Companies generally adapts itself more appropriately to larger energy efficiency projects.

We have worked closely with the Kansas Regents programs to review deferred maintenance projects. We have initiated a process of working with each Regent's institution beginning with Wichita State University (WSU) to determine whether viable self-funding energy savings opportunities exist. We have determined that in most cases we simply don't see enough savings in the various projects to pay back the cost of improvements within the lifetime of the equipment or within the statutory time limits for lending. We are, however, finding a few potential projects and will continue the review with each of the Regent's institutions.

IN Conclusion:

Energy savings and environmental benefits are new considerations for many in the building construction and remodeling industry. Many, however, are discovering that there are substantial opportunities for Win/Win/Win scenarios that provide reduced energy use, reduced atmospheric pollution, increased comfort and habitability, increased occupant productivity and increased profits for builder/developers. Our recent RFP for ESCO participation in the FCIP requires our ESCO partners to demonstrate their ability to deliver services in support of the United States Green Buildings Council Leadership in Energy and Environmental Design (USGBC-LEED) programs and to demonstrate their expertise in alternative energy applications, both wind and solar (photo voltaic and solar thermal) applications.

The Energy Office supports and encourages the establishment of the highest possible standards for building performance in Kansas. We believe that the energy code (if it is in fact enforced) essentially establishes the floor below which the level of performance cannot descend without being in violating the law. Yet we do believe that there is value in "raising the bar", or lifting the floor of energy performance by adhering to the latest established International Energy Conservation Code (IECC), by rule. We would however,

encourage and seek to reward construction and remodeling that vastly exceeds “code” standards. We support the notion of reaching for the top of the stairs of energy performance with net-zero energy use rather than accepting the floor of “code”.

The Energy Office Buildings Team recognizes that there is a wide range of construction components that affect the environmental impact of both new construction and remodeling. Through the KCC Energy Programs Division Energy Office we have joined the USGBC on behalf of the State of Kansas and we are striving to get all of the Buildings Team staff trained as USGBC LEED Accredited Professional (LEED AP) so that we can provide more comprehensive and valuable services to the citizens of Kansas. We would ask the consideration and support of the Kansas Legislature in supporting our efforts to elevate our capacity to serve the energy and environmental needs of the citizens of the State of Kansas.

It is the hope and the intent of the KCC Energy Programs Division Energy Office to continually improve the quality and the quantity of valuable energy and environmental performance services that we are able to provide for Kansas citizens.

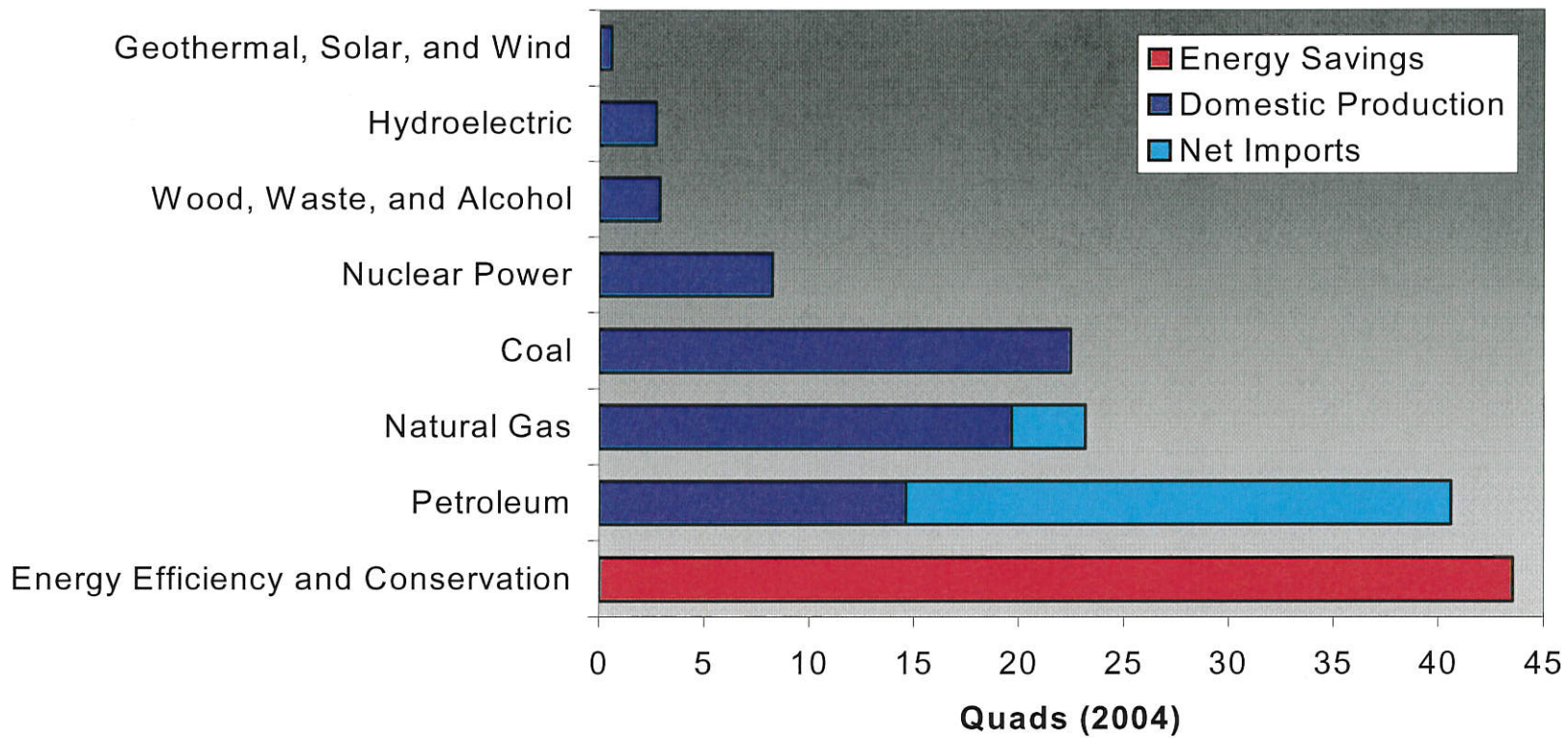
Thank You,

Russ Rudy, KCC Energy Programs Division
Energy Office
Buildings Team Manager

The Energy Efficiency Opportunity

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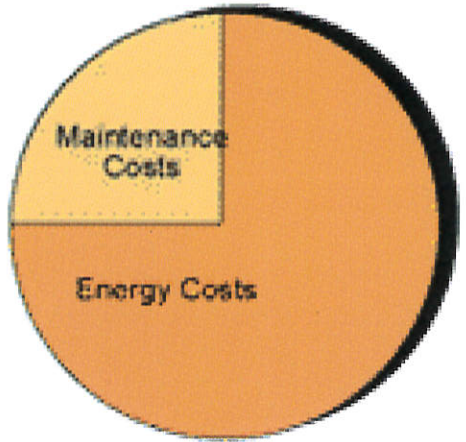
Energy Efficiency: America's Greatest Energy Resource



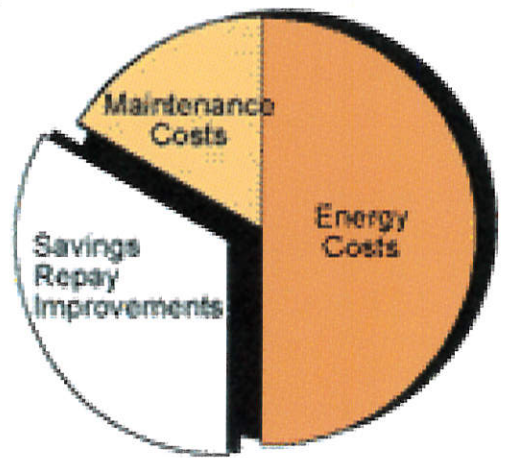
Source: Alliance to Save Energy

Here's How It Works.....

Before Improvements



After Improvements



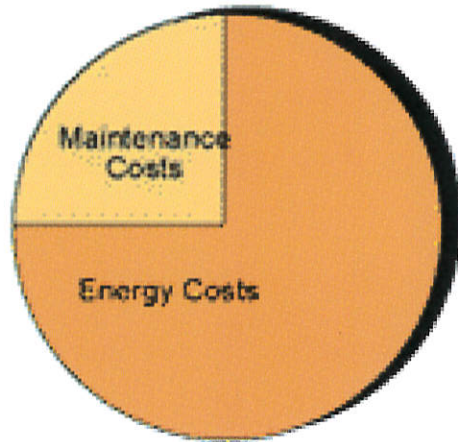
•Detailed engineering analysis determines the amount of savings that can be realized in units of fuel and operational costs

•A performance Contract brings the ESCO forward as a Design-Build Contractor to complete specific Energy Conservation Measures to realize the savings

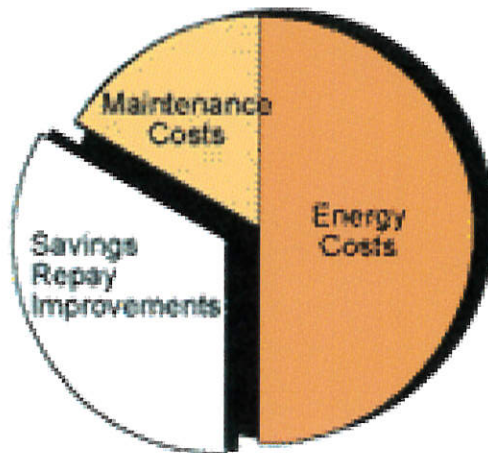
•Saved funds allocated for utilities are diverted to service lending to pay for the project

Here's How It Works.....

Before Improvements



After Improvements



For Example:

A project completed at the Hutchinson Correctional facility

Saved \$0.85 per square foot in operating and fuel costs

Energy savings paid back the total project cost in 8 years

Facility Conservation Improvement Program (FCIP)

Projects completed or under contract as of 1/25/2008

Facility Name	Area (Sq Ft)	Project Amount	Annual Savings
Haven USD 312	257,948	\$3,505,565	\$115,424
City of Pittsburg	180,406	\$1,826,932	\$120,056
El Dorado Correctional Facility	609,431	\$2,123,556	\$264,016
Allen County Community College	158,407	\$2,743,950	\$123,123
Humboldt USD 258	94,939	\$255,348	\$17,478
Northeast USD 246	139,552	\$612,533	\$38,283
Independence Community College	168,564	\$2,699,701	\$150,843
Fort Scott Community College	219,793	\$2,052,494	\$190,634
Pittsburg USD 250	599,573	\$2,121,800	\$84,651
Cherokee USD 247	180,220	\$1,128,917	\$65,358
Bluestem USD 205	159,989	\$872,512	\$64,594
Shawnee County	437,027	\$7,563,370	\$258,779
North Central Kansas Technical College	247,814	\$778,282	\$68,516
City of Colby	86,000	\$264,214	\$20,779
Highland USD 425	85,263	\$368,947	\$35,014
City of Parsons	294,351	\$7,053,886	\$391,608
Wichita State University	1,976,646	\$12,316,635	\$1,118,277
Rawlins County Health Center	23,178	\$222,609	\$10,761
Midway USD 433	55,025	\$527,369	\$21,306
Iola USD 257	257,457	\$728,580	\$69,370
Rawlins County USD 105	132,079	\$555,517	\$14,892
Neosho County Community College	190,608	\$2,064,361	\$70,704
Scott County USD 466	145,569	\$945,271	\$44,719
Buhler USD 313	588,259	\$1,166,186	\$67,128
City of Topeka	324,664	\$512,310	\$45,270
Burrton USD 369	91,911	\$432,284	\$33,940
Manhattan Area Technical School	61,898	\$457,932	\$29,940
Kansas Insurance Department	36,000	\$692,419	\$83,143
Pittsburg State University - Nation Hall	232,009	\$1,550,401	\$90,425
Larned Correctional Facility	154,417	\$171,350	\$19,996
Ellsworth Correctional Facility	196,899	\$870,900	\$107,409
Topeka Correctional Facility	245,069	\$723,765	\$90,032
Fort Hays State University	1,839,022	\$4,887,301	\$348,816
Kansas State University - Housing	1,080,981	\$2,418,169	\$356,097
Kansas State University - Campus	5,532,479	\$21,090,000	\$1,629,935
University of Kansas - Medical Center	1,911,375	\$12,289,489	\$964,768
University of Kansas - Campus	1,881,330	\$18,393,010	\$1,723,488
Kansas School for the Blind	1,112,689	\$467,153	\$44,519
Hutchinson Correctional Facility	416,530	\$2,748,100	\$352,932
Pittsburg State University	1,379,549	\$4,500,000	\$385,152
Kansas Neurological Institute	373,688	\$2,268,817	\$188,391
Winfield Correctional / Wichita Work Release	282,057	\$1,425,639	\$180,183
Norton Correctional Facility	308,150	\$1,682,971	\$211,522
Lansing Correctional Facility	614,743	\$3,583,697	\$445,736
Parsons State Hospital	357,951	\$2,047,222	\$194,542
Kansas School for the Deaf	254,508	\$1,016,810	\$95,151
Total:	25,976,017	138,728,274	11,047,700