

MINUTES OF THE HOUSE HIGHER EDUCATION COMMITTEE

The meeting was called to order by Chairman Terrie Huntington at 1:30 p.m. on January 28, 2009, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Ann Mah- excused

Committee staff present:

Renaë Jefferies, Office of the Revisor of Statutes
Mary Galligan, Kansas Legislative Research Department
Kay Scarlett, Committee Assistant

Conferees appearing before the committee:

Duane Goossen, Director of the Budget
Diane Duffy, Vice President for Finance, Kansas Board of Regents

Others attending:

See attached list.

Representative Delia Garcia requested introduction of a committee bill to allow a person that has completed their health professional education requirements by long distance learning, via the internet and e-mail, from an accredited institution to be able to take the test for licensing. Representative Horst, seconded by Representative Winn, moved to accept the bill as a committee bill. The motion carried.

Duane Goossen, Director of the Budget, presented an overview of the Governor's FY 2009 Revised Budget and her FY 2010 Budget. He stated that the most recent revenue estimates no longer support approved FY 2009 expenditures, and building a new FY 2010 budget following previous standards would lead to a gap between expenditures and available resources of over \$900 million. By statute the state budget has to balance. He reported that under the Governor's proposal, higher education will see a 3% reduction in 2009 and another 4% in 2010; K-12 will see no increase in funds, but will remain at current levels. He thought it was quite likely that the federal stimulus package will send some money to Kansas, some of that money might help the state of Kansas and some might help the budget, for example Medicaid money would help the budget. He said it was possible the stimulus package could help in three budget periods. (Attachment 1)

Diane Duffy, Vice President for Finance, Kansas Board of Regents, provided a general overview of higher education funding and an update on the budget. She reported that the Governor's recommended appropriations from state funds for postsecondary education operating expenditures for FY 2009 totals \$838 million, a decrease of slightly less than \$25 million or 3% less than the FY 2009 approved appropriations. The Governor's recommended appropriations from state funds for postsecondary education operating expenditures for FY 2010 totals \$784 million, a decrease of an additional \$79 million for a total of over \$100 million over the two years or a reduction in state funds of 12%. Further, the Governor recommends a net reduction of state funds for previously approved capital expenditures of an additional \$16 million. Overall, state higher education funding would be reduced by a total of over \$120 million over the two fiscal years. (Attachment2)

The meeting was adjourned at 3:05 p.m. The next meeting of the House Higher Education Committee is scheduled for January 29, 2009.

HOUSE HIGHER EDUCATION COMMITTEE GUEST LIST

DATE January 28, 2009

NAME	REPRESENTING
DICK CARTER	JCCC
Linda King	KACCT
TERRY Calaway	JCCC
Kip Peterson	KBOR
JASON KOVAC	JCCC
John Betselw	Pitgal - SMITH
Derck Hein	Hein Law Firm
Matt Warner	Intern - Tom Tom Maxley
Callie Coco	Kearney + Associates, Inc.

Overview Presentation

FY 2010 Governor's Budget Report

January 2009

Page 1	Narrative Overview
Page 2	State General Fund Revenue/Expenditure History Chart
Page 3	State General Fund Outlook Before and After Solutions
Page 4	Steps to Resolve Budget Gap
Page 5	Detail of State General Fund Reductions
Page 6	Detail of School Finance Recommendations
Page 7	State General Fund Charts
Page 8	All Funds Charts
Page 9	Economic Development Initiatives Fund
Page 10	Children's Initiatives Fund
Page 11	Water Plan Fund

To view the full FY 2010 Governor's Budget Report or to receive further information, please go to <http://budget.ks.gov> or contact the Division of the Budget at 785-296-2436.

Kansas, like many other states, faces a very challenging financial situation. State costs for public education and Medicaid have increased substantially, but revenue expectations have diminished due to slower economic growth in Kansas and a national recession. The most recent revenue estimates no longer support approved FY 2009 expenditures, and building a new FY 2010 budget following previous standards would lead to a gap between expenditures and available resources of over \$900 million.

Within this difficult financial context, Governor Kathleen Sebelius presents a revised budget for FY 2009 and a new balanced budget for FY 2010. Five basic principles guide the Governor's budget recommendations:

Resolve the State General Fund budget gap in a realistic way without raising taxes ;

Protect the state's investment in public education;

Fund human service caseload costs;

Ensure the public safety of Kansans, and the continuation of basic state services; and

Include all state agencies in the budget solution.

	Budget Totals			
	<i>(Dollars in Millions)</i>			
	SGF	Percent Change	All Funds	Percent Change
FY 2008 Actual	\$ 6,101.8	--	\$ 12,688.7	--
FY 2009 Apprv. (May 2008)	6,404.4	5.0%	13,487.1	6.3%
FY 2009 Apprv. with Shifts	6,440.7	5.6%	13,523.4	6.6%
FY 2009 Gov. Est.	6,348.6	4.0%	13,600.1	7.2%
FY 2010 Gov. Rec.	6,153.5	(3.1%)	12,881.4	(5.3%)

Expenditures

Expenditures in almost every State General Fund agency have been reduced in FY 2009, and then reduced further in FY 2010. In addition, State General Fund debt has been restructured, a 9-month

moratorium proposed on payments into the KPERS Death and Disability Fund, as well as a 7-pay period moratorium on payments to the state employees' health fund.

Total expenditures to fund public education in 2010 remain flat from the approved FY 2009 amount. The budget includes human service caseload costs. The Governor proposes that state employees receive a 1.0 percent general salary increase, but expects agencies to absorb the cost of the increase.

Changes to Revenue

The Governor does not recommend any tax increases as part of her budget, but does propose changes to transfers in and out of the State General Fund. Expenditures in special revenue fund agencies are reduced and the resulting savings plus any other balances transferred to the State General Fund. Available revenue from new gaming operations is proposed to be transferred. Transfers out of the State General Fund are suspended or limited.

The budget also recommends improving revenue through several tax policy changes to suspend the phase-out of the estate and corporate franchise taxes, eliminate the community service credit, accelerate severance tax collections and attribute a larger portion of liquor taxes to the State General Fund.

The next revenue projection will be made in mid-April. While this proposed budget uses updated November estimates, the state's financial situation is still fluid. Further action may be required once the spring estimates are made.

Ending Balance

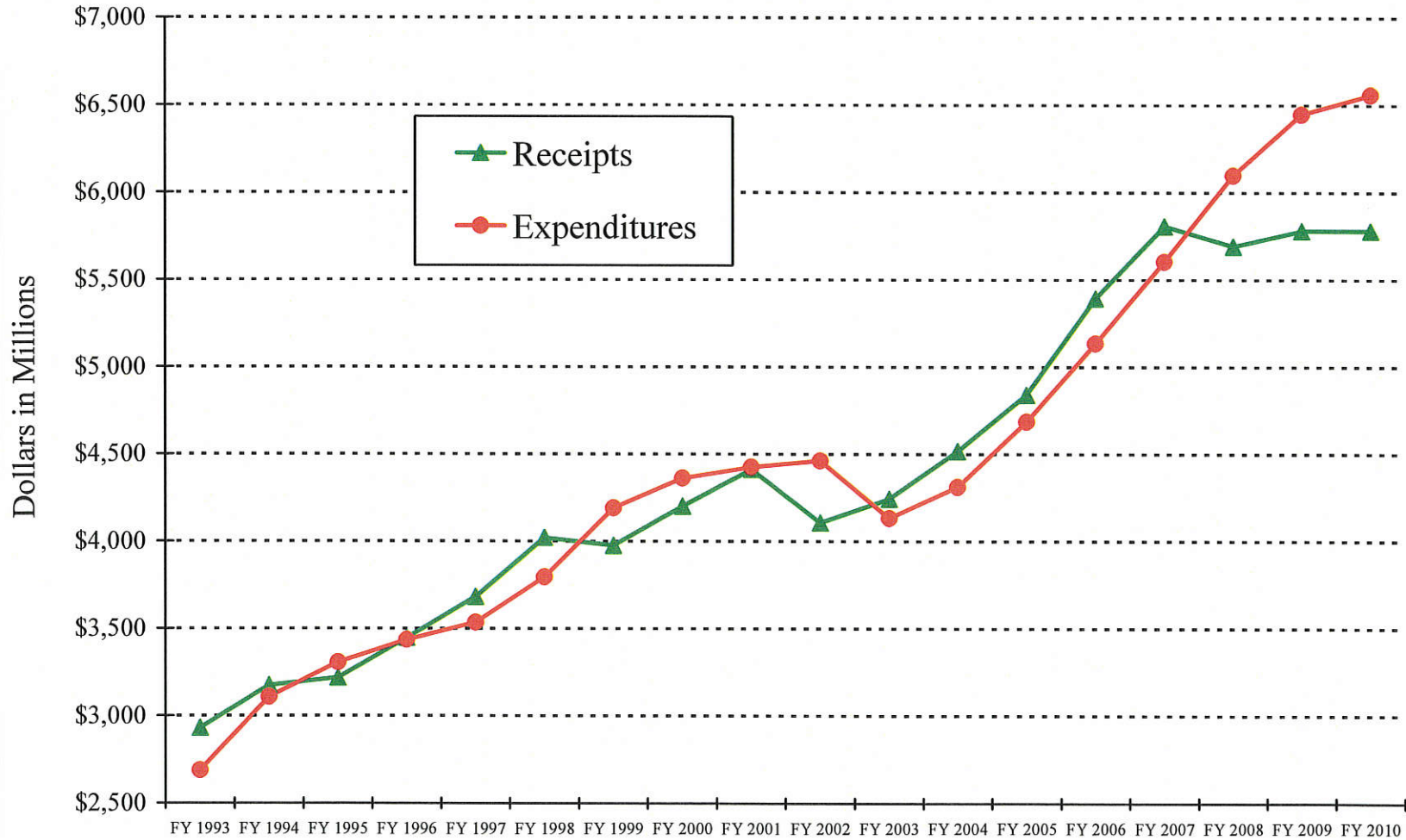
Together, all of the steps proposed to resolve the budget gap yield an ending State General Fund balance of \$58.3 million in FY 2009 and \$0.6 million in FY 2010. Under the current extraordinary circumstances, building a realistic budget without tax increases that projects a 7.5 percent ending balance is not possible. A brief budget that meets statutorily required balances has been included in Volume 1 of *The Governor's Budget Report*.

State General Fund Receipts and Expenditures

FY 1993 - FY 2010

(Before Governor's Budget)

1-3



State General Fund Outlook--Without Solutions
Approved FY 2009 Budget Plus Consensus Amounts for Caseloads and School Finance
(Dollars in Millions)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Beginning Balance	\$ 935.0	\$ 526.6	\$ (142.0)
November 4, 2008 Updated Revenues	<u>5,693.4</u>	<u>5,781.2</u>	<u>5,782.4</u>
Total Available	\$ 6,628.4	\$ 6,307.8	\$ 5,640.4
Expenditures			
Aid to K-12 Schools	\$ 3,065.1	\$ 3,222.4	\$ 3,357.9
School Finance Consensus Adjustments	--	3.7	--
Higher Education	829.1	852.6	852.6
Health/Human Services Caseloads	831.7	886.9	923.2
Consensus Caseload Adjustments	--	5.4	--
Undermarket Salary Adjustments	--	--	8.5
All Other Expenditures	1,370.1	1,442.5	1,442.5
Reappropriations from FY 2008	<u>--</u>	<u>36.3</u>	<u>--</u>
Total Expenditures	\$ 6,096.0	\$ 6,449.8	\$ 6,584.8
Ending Balance	\$ 532.4	\$ (142.0)	\$ (944.4)
<i>As Percent of Expenditures</i>	8.7 %	(2.2%)	(14.3%)

State General Fund Outlook--With Solutions
Governor's Proposed Balanced Budget
(Dollars in Millions)

	<u>FY 2008</u> Actual	<u>FY 2009</u> Gov. Rec.	<u>FY 2010</u> Gov. Est.
Beginning Balance	\$ 935.0	\$ 526.6	\$ 58.3
November 4, 2008 Updated Revenues	5,693.4	5,781.2	5,782.4
Governor's Revenue Adjustments	<u>--</u>	<u>99.2</u>	<u>313.4</u>
Total Available	\$ 6,628.4	\$ 6,407.0	\$ 6,154.1
Expenditures			
Aid to K-12 Schools	\$ 3,065.1	\$ 3,223.5	\$ 3,181.9
Higher Education	829.1	830.0	773.0
Health/Human Services Caseloads	836.1	883.8	870.6
All Other Expenditures	<u>1,371.5</u>	<u>1,411.3</u>	<u>1,328.0</u>
Total Expenditures	\$ 6,101.8	\$ 6,348.6	\$ 6,153.5
Ending Balance	\$ 526.6	\$ 58.3	\$ 0.6
<i>As Percent of Expenditures</i>	8.6 %	0.9%	--

Steps to Resolve Budget Gap

(Dollars in Millions)

	<u>FY 2009</u>	<u>FY 2010</u>
Changes to State General Fund Expenditures		
Reduce Current Year Approved Budgets	101.2	--
Reduce FY 2010 Budgets	--	431.3
Require Agencies to Absorb FY 2010 1% Salary Increase	--	--
Changes to State General Fund Revenues		
Transfers In:		
Reduce CIF Expenditures and Transfer Balance	--	9.2
Reduce EDIF Expenditures and Transfer Balance	--	3.5
Reduce non-SGF Agencies and Transfer Balances	2.2	2.9
Transfer Other Special Revenue Balances	29.0	2.2
End KSIP and Transfer Balances	4.2	--
Transfer Unallocated Gaming Revenue	(1.6)	56.7
KPERS D&D Moratorium Spec. Rev. Fund Savings	--	5.1
Health Insurance Moratorium	--	23.7
Limit Transfers Out:		
Stop Highway Fund Loan Repayment	30.9	30.9
Stop Other Fund Loan Repayments	3.8	3.8
Limit Bioscience Authority Transfer (\$35M FY '09 \$40M FY '10)	12.0	20.0
Suspend Transfers to SCCHF, SWPF, Health Care Stab.	19.1	19.1
Suspend Deferred Maintenance Transfer to Regents	--	15.0
Reduce Regents Research Corp. for Debt Restructuring	--	5.0
Limit Housing Trust Fund Transfer	--	2.0
Suspend Restoration of LAVTR Transfer	--	13.5
Suspend Property Tax Slider	--	45.3
Net of All Other Changes	(0.4)	(5.0)
Tax Policy Changes:		
Suspend Phase-Out of Corporate Franchise Tax	--	14.0
Suspend Phase-Out of Estate Tax	--	5.0
Eliminate Community Service Credit	--	4.4
Accelerate Severance Tax Due Date	--	10.0
Attribute all Liquor Taxes to State General Fund	--	27.2
Total of All Changes	\$ 200.4	\$ 744.7

**State General Fund
Expenditure Reductions**

FY 2009

Operating Budget Reductions	\$ (38.8)
Debt Restructuring	(14.0)
School Finance Held Flat	(17.7)
Regents System Reductions	(24.6)
KHPA--Switch to Fees Fund	(8.5)
SRS--HCBS PD Waiver	8.4
Close DOC Facilities	(1.6)
Close Atchison Juv. Correc. Fac.	(2.0)
Delay Osawatomie 30-Bed Unit	(1.8)
Net of Other Adjustments	(0.6)
Total	\$ (101.2)

FY 2010

School Finance CPI Increase	(108.4)
Special Education Increase	(37.9)
Other School Finance Increases	(18.7)
Regents System Reductions	(56.3)
Kan-Ed Shift to KUSF	(2.0)
KUMC--WCGME	(2.5)
Caseload Policy Changes:	
Freeze Nursing Home Rates	(6.0)
KHPA Switch SGF to Fee Funds	(5.7)
KHPA--Administrative Initiatives	(9.6)
SRS--New Foster Care Contract	(14.1)
MedKan/GA 18-month Limit	(12.3)
CINC Policy	(3.8)
CMHC Grants	(7.0)
CDDO Grants	(2.0)
DOC Facility Closures	(7.8)
Atchison Juv. Correc. Facility Closure	(3.7)
KHP--Suspend New Trooper Class	(1.0)
KPERS D&D 3-Quarter Moratorium	(30.4)
Health Ins. 7-Payroll Cycle Moratorium	(32.0)
Debt Restructuring	(34.1)
Net of Other Adjustments	(36.1)
Total	\$ (431.3)

Expenditure reductions have also been recommended for agencies that are not financed from the State General Fund. In most cases, the savings from these reductions are proposed for transfer to the State General Fund. In addition, the budget includes

Economic Initiatives Fund reductions resulting from the merger of KTEC and Kansas, Inc. operations into the Department of Commerce, and reductions in Children's Initiatives Fund and Water Plan Fund spending.

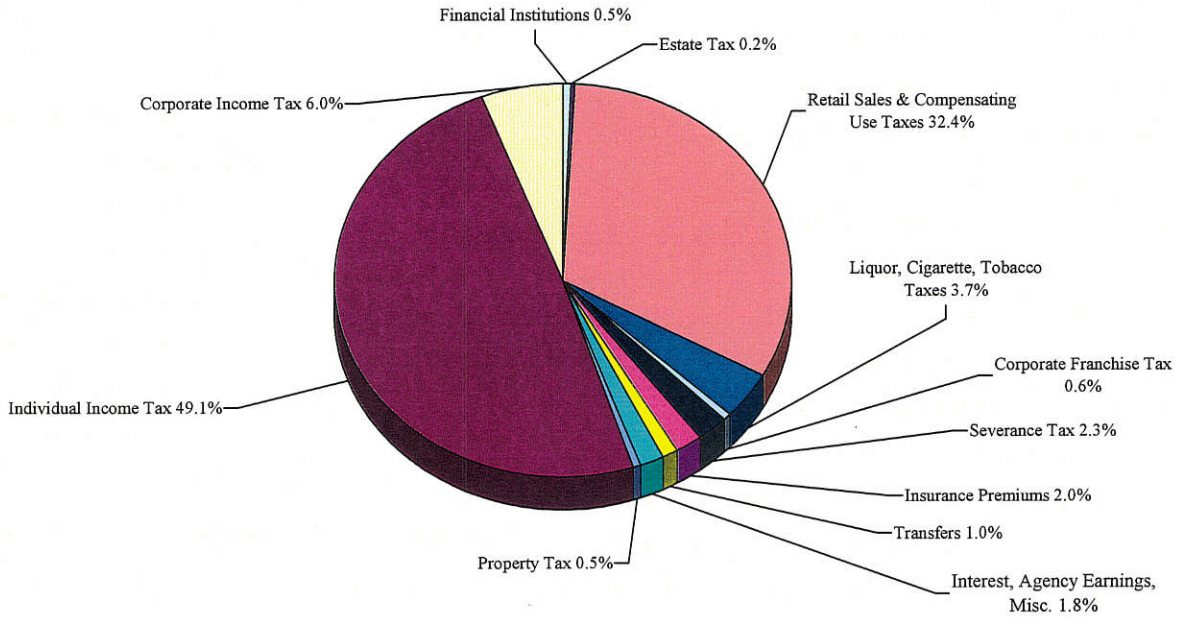
Key Expenditures for Aid to Schools

	<u>Approved FY 2009</u>	<u>Consensus FY 2009</u>	<u>Gov. Rec. FY 2009</u>	<u>Consensus FY 2010</u>	<u>Gov. Rec. FY 2010</u>
General State Aid	\$ 2,183,419,242	\$ 2,197,321,000	\$ 2,183,920,915	\$ 2,245,217,000	\$ 2,126,235,466
Special Education Aid	427,753,137	432,035,493	427,753,137	465,718,765	427,753,137
Local Option Budget	332,676,369	324,146,000	324,146,000	339,212,000	339,212,000
KPERS Empliyer Contributions*	249,998,012	249,989,121	249,989,121	282,188,282	274,111,409
Capital Outlay Aid	<u>25,439,522</u>	<u>22,600,000</u>	<u>22,600,000</u>	<u>25,600,000</u>	<u>25,600,000</u>
Subtotal--SGF	\$ 3,219,286,282	\$ 3,226,091,614	\$ 3,208,409,173	\$ 3,357,936,047	\$ 3,192,912,012
20 Mill Property Tax Levy	560,060,359	\$570,937,468	\$570,937,468	\$586,434,629	\$586,434,629
Total School Funding	\$ 3,779,346,641	\$ 3,797,029,082	\$ 3,779,346,641	\$ 3,944,370,676	\$ 3,779,346,641

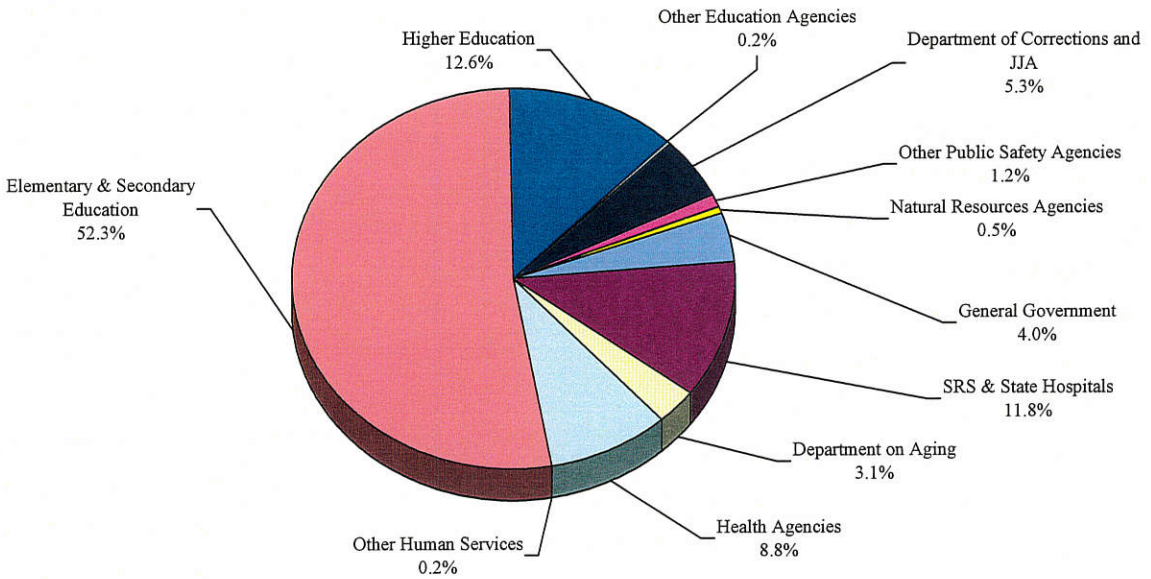
*KPERS--School expenditures are before the proposed FY 2010 KPERS Death & Disability Moratorium.

1.7

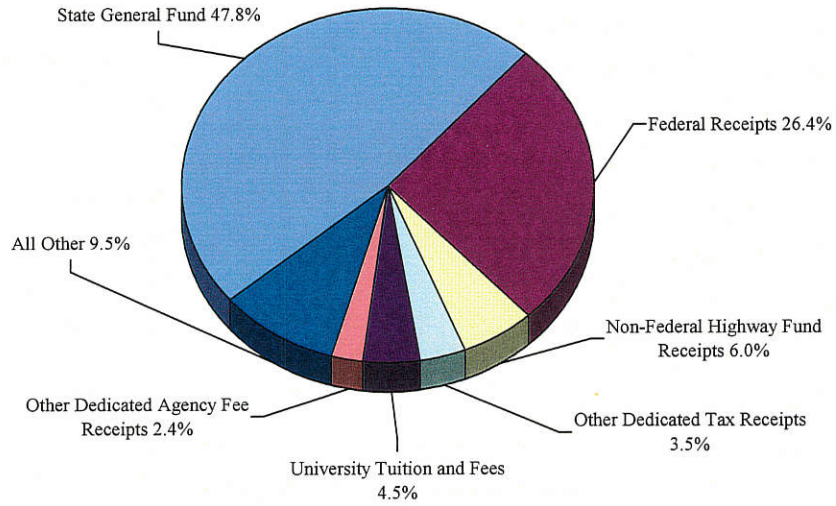
**Where State Dollars Come From
State General Fund
FY 2010**



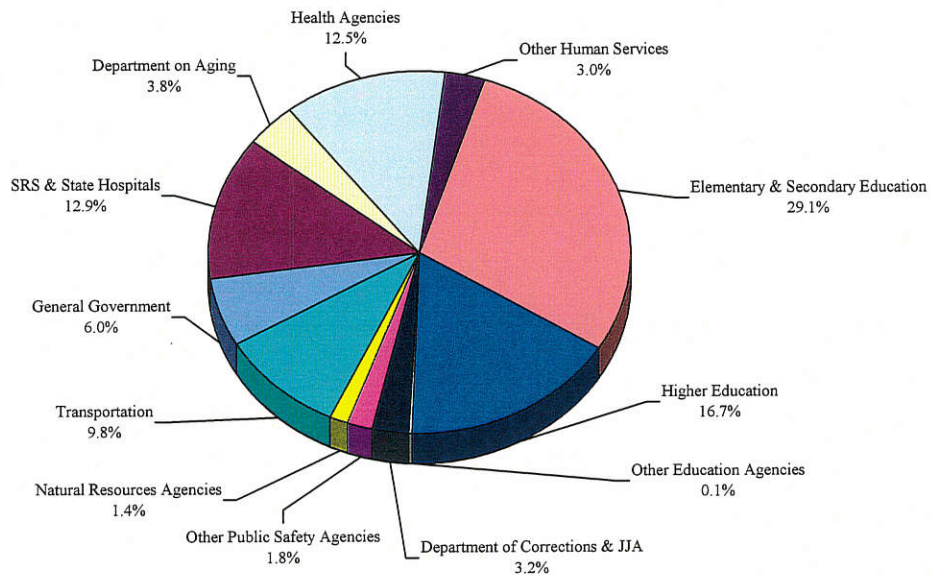
**Where State Dollars Go
State General Fund
FY 2010**



How the All Funds Budget Is Financed
All Sources of Funding
FY 2010



Where All Funds Go
All Sources of Funding*
FY 2010



* Excludes non-reportable expenditures.

Economic Development Initiatives Fund Summary

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2009 <u>Revised</u>	FY 2010 <u>Gov. Rec.</u>
Beginning Balance	\$ 4,034,032	\$ 1,127,110	\$ 4,980,302	\$ 3,204,654
Revenues:				
Released Encumbrances	1,253,077	--	--	--
Lottery Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Interest & Other Revenues	1,724,149	1,400,000	1,400,000	1,000,000
Transfer to KEOIF	(3,000,000)	(1,250,000)	(1,250,000)	(3,250,000)
Transfer to SECPDPF	(150,000)	--	--	--
Transfer to KQBFPIF	(400,000)	(400,000)	(400,000)	(200,000)
Transfer to SWPF	(2,000,000)	(3,043,985)	(3,043,985)	(2,000,000)
Transfer to PUGAADF	--	--	--	(1,000,000)
Parsons Road Transfer	--	750,000	750,000	--
KPERS Death & Dis. Transfer	--	--	--	(46,665)
Health Insurance Transfer	--	--	--	(194,411)
Transfer to SGF	--	--	--	(3,533,611)
Total Available	<u>\$ 43,893,258</u>	<u>\$ 41,015,125</u>	<u>\$ 44,868,317</u>	<u>\$ 36,411,967</u>
Expenditures:				
Department of Commerce	18,410,072	18,543,972	19,574,729	25,923,979
KTEC	12,162,460	12,032,258	11,083,876	--
Kansas, Inc.	504,743	415,363	321,139	--
Board of Regents	2,677,723	2,745,500	2,813,277	2,745,500
KSU-ESARP	300,000	300,000	300,000	293,911
WSU-Aviation Research	4,747,958	7,500,000	7,502,042	7,448,577
State Fair	110,000	70,000	68,600	--
EDIF Pay Plan Savings	--	8,789	--	--
Total Expenditures	<u>38,912,956</u>	<u>41,615,882</u>	<u>41,663,663</u>	<u>36,411,967</u>
Ending Balance	\$ 4,980,302	\$ (600,757)	\$ 3,204,654	\$ --

Children's Initiatives Fund

	FY 2008 Actual	FY 2009 Approved	FY 2009 Revised	FY 2010 Gov. Rec.
Beginning Balance	\$ 743,550	\$ 12,276,628	\$ 12,747,981	\$ 600,515
Revenues:				
Released Encumbrances	300,233	--	--	--
Transfer From KEY Fund	62,922,205	64,458,892	64,458,892	66,867,010
Transfer from CIRF	825,952	825,952	825,952	825,952
Total Available	\$ 64,791,940	\$ 77,561,472	\$ 78,032,825	\$ 68,293,477
Expenditures				
Social & Rehabilitation Services				
Early Childhood Block Grant	--	11,100,000	11,100,000	11,098,462
Children's Mental Health Initiative	3,800,000	3,800,000	3,800,000	3,800,000
Family Centered System of Care	5,000,000	5,000,000	5,000,000	5,000,000
Therapeutic Preschool	1,000,000	--	--	--
Child Care Services	1,400,000	1,400,000	1,400,000	1,400,000
Community Svcs. For Child Welfare	3,298,500	3,208,938	3,136,934	--
Smart Start Kansas	8,986,263	8,443,279	8,443,279	8,442,190
Pre-K Pilot	5,000,000	--	--	--
Early Head Start	1,600,000	3,452,779	3,452,779	3,452,779
Child Care Quality Initiatives	500,000	500,000	500,000	500,000
Children's Cabinet Account. Fund	541,802	541,802	541,802	541,802
Family Preservation	3,151,403	3,241,062	3,313,066	3,241,062
Attendant Care for Independ. Living	50,000	--	--	--
School Violence Prevention	227,392	--	--	--
Total--SRS	34,555,360	40,687,860	40,687,860	37,476,295
Kansas Health Policy Authority				
Immunization Outreach	277,876	500,000	500,000	--
Healthwave	2,000,000	2,000,000	2,000,000	--
Medical Assistance	3,000,000	3,000,000	3,000,000	--
Total--KHPA	5,277,876	5,500,000	5,500,000	--
Health & Environment--Health				
Healthy Start/Home Visitor	250,000	250,000	250,000	250,000
Special Health Services	208,000	208,000	208,000	--
Newborn Hearing Aid Loaner Program	--	50,000	50,000	50,000
SIDS Network Grant	--	75,000	75,000	75,000
Newborn Screening	--	2,216,888	2,221,556	2,202,682
Infants & Toddlers Program	1,200,000	5,700,000	5,700,000	5,700,000
Smoking Prevention Grants	1,000,000	1,000,000	1,000,000	1,000,000
Total--KDHE	2,658,000	9,499,888	9,504,556	9,277,682
Department of Education				
Reading, Vision, General Aid	300,000	300,000	200,000	--
Parent Education	--	7,539,500	7,539,500	7,539,500
Pre-K Pilot	--	5,000,000	5,000,000	5,000,000
Total--KSDE	300,000	12,839,500	12,739,500	12,539,500
University of Kansas Medical Center	252,723	--	394	--
Juvenile Justice Authority	9,000,000	9,000,000	9,000,000	9,000,000
Total Expenditures	52,043,959	77,527,248	77,432,310	68,293,477
Ending Balance	\$ 12,747,981	\$ 34,224	\$ 600,515	\$ --

State Water Plan Fund

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2009 <u>Revised</u>	FY 2010 <u>Gov. Rec.</u>
Beginning Balance	9,052,462	2,846,479	2,846,479	--
Revenues				
Released Encumbrances	981,099	1,107,136	1,087,010	421,709
Transfer to GMD #3	(739,964)	--	--	--
Transfers to the SGF	--	--	--	(16,152)
Transfer to KCC	(400,000)	(400,000)	(320,000)	(288,000)
SGF Transfer	6,000,000	6,000,000	--	--
EDIF Transfer	2,000,000	3,043,985	3,043,985	2,000,000
<i>Kansas v. Colorado</i> Damage Award	584,217	525,729	525,729	--
Clean Drinking Water Fee Revenue	--	6,480,609	6,480,609	3,469,486
Fee Receipts	<u>9,605,356</u>	<u>9,591,669</u>	<u>9,591,669</u>	<u>9,429,270</u>
Total Available	27,083,170	29,195,607	23,255,481	15,016,313
Expenditures				
Dept. of Health & Environment	4,087,999	3,929,512	3,143,610	2,617,221
Univ. of Kansas--Geological Survey	40,000	40,000	32,000	28,800
Department of Agriculture	1,130,152	1,403,501	1,245,979	1,124,615
State Conservation Commission	15,173,035	19,118,350	15,210,497	9,065,321
Kansas Water Office	2,765,505	4,664,244	3,591,395	2,151,556
Department of Wildlife and Parks	<u>1,040,000</u>	<u>40,000</u>	<u>32,000</u>	<u>28,800</u>
Total Expenditures	24,236,691	29,195,607	23,255,481	15,016,313
Ending Balance	2,846,479	--	--	--

**JOINT MEETING OF THE HOUSE HIGHER EDUCATION
AND SENATE EDUCATION COMMITTEES**

Higher Education Funding

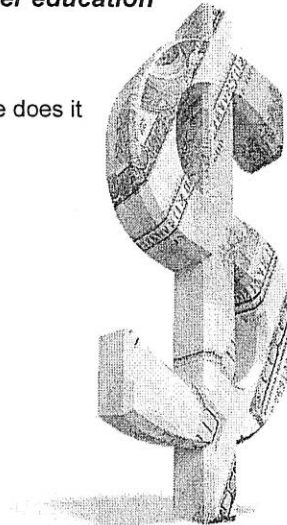
January 29, 2009

Diane C. Duffy
Vice-President Finance & Administration
Kansas Board of Regents



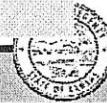
Charge: Provide a general overview of higher education funding and an update on the budget.

- ❖ Higher Education Enterprise
 - All funding -- where does it come from and where does it go?
 - State funding -- where does it go?
- ❖ Board "Governed" State Universities
 - State Funds -- operating and capital
 - Tuition Funds
 - Restricted Use Funds
 - Role of Affiliated Entities
- ❖ Board "Coordinated" Community Colleges, Technical Colleges, Washburn University
 - State funds
 - Tuition funds
 - Local funds
- ❖ FY 2009 and FY 2010 Budget Update



Postsecondary Educational Institutions

State Universities	Municipal University	Community Colleges	Colleges	Technical Colleges
Emporia State University	Washburn University	Allen County Community College	Highland Community College	Flint Hills Technical College
Fort Hays State University		Barton County Community College	Hutchinson Community College	Manhattan Area Technical College
Kansas State University		Butler County Community College	Independence Community College	North Central Kansas Technical College
Pittsburg State University		Cloud County Community College	Johnson County Community College	Northwest Kansas Technical College
University of Kansas		Coffeyville Community College	Kansas City Kansas Community College	Salina Area Technical College
Wichita State University		Colby Community College	Labelle Community College	Wichita Area Technical College
		Cowley County Community College	Neosho County Community College	
		Dodge City Community College	Pratt Community College	
		Fort Scott Community College	Seward County Community College	
		Garden City Community College		



Public Higher Education Enterprise: Where the Money Comes From -- Revenues

	\$ in Millions	% of Total
State Funding	\$813.6	29.2%
Tuition & Fees	581.9	20.9
Federal Operating Grants & Contracts	369.2	13.2
Sales & Services of Auxiliary Enterprises	237.1	8.5
Local Appropriations	220.0	7.9
All Other Sources (includes federal non-operating grants such as Pell Grants, gifts including contributions from affiliated organizations, investment income, capital appropriations, grants and gifts.)	568.8	20.4
System Total	\$2.8 billion	

Source: IPEDS, FY 2007



Total Revenues by Sector (in millions)

	State Universities	Washburn University	Community Colleges	Technical Colleges/Schools
State Appropriations	\$629.2	\$13.2	\$110.4	\$26.3
Tuition and Fees	\$441.1	\$34.7	\$92.7	\$13.6
Local Appropriations	negligible	\$22.6	\$195.5	\$2.1
All Other	\$973.8	\$5.0	\$152.9	\$18.7

Source: IPEDS, FY 2007



Percentage of the Sources of Revenues Vary by Sector and by Institutions within the Sector

	State Universities	Washburn University	Community Colleges	Technical Colleges/Schools
State Appropriations	30.8%	13.2%	20.0%	43.4%
Tuition and Fees	21.6%	34.6%	16.8%	27.3%
Local Appropriations	negligible	22.5%	35.5	3.4%
All Other	47.6%	29.7%	27.7%	25.9%

Source: IPEDS, FY 2007



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Public Higher Education Enterprise: Where the Money Goes -- Expenditures

	\$ in Millions	% of Total
Instruction	\$815.7	31.3%
Research and Public Service	444.5	17.0
Academic Support, Student Services	364.9	14.0
Physical Plant (operation, maintenance, depreciation)	312.9	12.0
Auxiliary Enterprises	214.9	8.2
Institutional Support	187.4	7.2
Scholarships and Fellowships	94.4	3.6
All Other Expenditures (i.e. scholarships and fellowships, interest, etc.)	172.7	6.6
System Total	\$2.6 billion	

Source: IPEDS, FY 2007

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Where the State Funding Goes -- Operations

	\$ in Millions	% of Total
State Universities	\$629.2	77.3%
Community Colleges	110.4	13.6
Technical Colleges	26.6	3.3
Washburn University	13.2	1.6
Board Student Financial Assistance Programs	22.1	2.7
Other Programs	8.9	1.1
Board Office	3.2	0.4
System Total	\$813.6 million	

Source: IPEDS, FY 2007

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Board "Governed" State Universities – FY 2007 Operating (millions)

State Universities	SGF Funding	Tuition and Fees	All Other	Total
Emporia State University	\$33.4 (46.8%)	\$16.3 (22.9%)	\$21.6 (30.3%)	\$71.4
Fort Hays State University	34.2 (43.7%)	15.0 (19.1%)	29.1 (37.2%)	78.4
Kansas State University/KSUVMC	163.0 (28.9%)	104.3 (18.5%)	297.6 (52.6%)	564.8
	10.7 (32.6%)	11.5 (34.9%)	10.7 (32.5%)	33.0
Pittsburg State University	36.0 (46.5%)	20.3 (26.2%)	21.1 (27.3%)	77.4
University of Kansas /KUMC	144.9 (23.3%)	175.8 (28.3%)	300.3 (51.6%)	620.9
	116.3 (49.3%)	22.1 (09.4%)	97.7 (41.4%)	236.0
Wichita State University	73.4 (37.6%)	55.1 (28.2%)	66.7 (34.2%)	195.1
Total	\$611.8 (32.6%)	\$420.4 (22.4%)	\$844.8 (45%)	\$1,876.0

Source: 2008 Data Book



Board "Governed" State Universities – Capital Expenditures

•The State's investment in buildings and infrastructure on the campuses of the State Universities is tremendous.

•811 state-owned buildings encompassing 28.8 million square feet, sited on 25,588 acres, with a replacement value of \$7.5 billion, comprising 2/3 of all state-owned buildings

•Of which – 442 mission critical buildings encompassing 17.5 million square feet of space, with a replacement value of \$4.5 billion.

EBF – Educational Building Fund – supported by a 1 mill statewide property tax levy and is approximately \$30 million annually.

Source: 2008 Data Book



Board "Governed" State Universities – Tuition

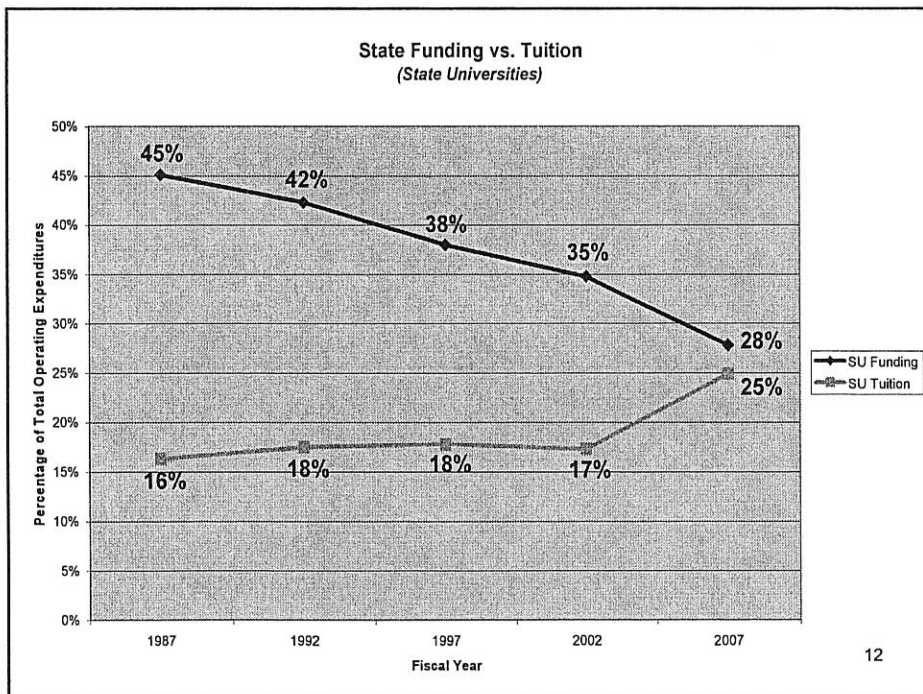
One of the Board's most important responsibilities – the setting of tuition and fees

In 2001, the Legislature approved a new approach for budgeting for state universities called the operating grant/tuition ownership model. Under this approach each state university receives an operating grant from the state and retains "ownership" of an accountability for its tuition revenue. Upon the Board's approval of tuition and fee rates and plans, each state university assesses, collects, and has expenditure authority over its tuition.

All new funding is subject to the institution's performance agreement with the Board.



Source: 2008 Data Book



University Undergraduate Resident Tuition Rates

University	AY 2003	AY 2004	AY 2005	AY 2006	AY 2007	AY 2008	% Change
KU	\$1,742	\$2,050	\$2,368	\$2,707	\$3,076	\$3,300	89.5%
KSU	\$1,722	\$2,030	\$2,333	\$2,562	\$2,890	\$3,117	81.1%
WSU	\$1,528	\$1,753	\$1,954	\$2,116	\$2,258	\$2,402	57.3%
ESU	\$1,227	\$1,388	\$1,518	\$1,653	\$1,793	\$1,963	60.0%
PSU	\$1,267	\$1,481	\$1,647	\$1,781	\$1,895	\$2,030	60.2%
FHSU	\$1,164	\$1,270	\$1,451	\$1,526	\$1,596	\$1,678	44.1%

A "one-size fits all" approach to tuition does not work in today's world because of differing missions, programs offerings, geographic locations, and competitive environments. The Board's approach recognizes the unique characteristics of each university and adopts individual tuition strategies for each. The Board realizes that state appropriations and family incomes will be effected by this downward adjustment in the economy, and it will need to have effective strategies for tuition and student financial aid as well as managing expenditures to keep higher education affordable.

Board Coordinated – Washburn University (in millions)

	Washburn University	% of Total
State Appropriations	\$12.1	25.1%
Tuition and Fees	37.2	51.4
Local Appropriations (sales taxes)	18.2	16.7
All Other	5.0	6.8
Total	\$72.5	

Resident tuition and fees are similar to the rates of KU and KSU – above those of the other regional universities

A portion of local sales tax committed for capital projects. Also eligible for 2007 Postsecondary Educational Institutions Infrastructure Program – state tax credit and PEI loan programs.

Source: Washburn University Financial Report, June 30, 2008



Board Coordinated – Community Colleges (in millions)

	Community Colleges	% of Total
State Sources	\$111.9	23.5%
Tuition and Fees	96.1	20.2%
Local Appropriations	189.7	40.0%
All Other	78.4	16.3%
Total	\$476.1	

By statute, tuition and fees are set by their local boards. There is wide variation in the cost of attendance across the colleges. For example, tuition and required fees range from \$52.50 per credit hour for resident students of Independence Community College to \$65 per credit hour for resident students of Johnson County Community College.

Community Colleges have taxing authority. There is wide range in the percentage of total revenues coming from local taxes.

Community Colleges are eligible for the 2007 Postsecondary Educational Institutions Infrastructure Program – state tax credit and PEI loan programs.

Source: Kansas Community Colleges Enrollment and Financial Statistics, 2008



Board Coordinated Technical Colleges (in millions)

	Technical Colleges/Schools	% of Total
State Appropriations	\$26.3	43.3%
Tuition and Fees	\$13.6	22.4%
Local Appropriations	\$2.1	3.5%
All Other	\$18.7	30.8
Total	\$60.7	

Currently tuition is fixed by each local board and subject to approval of the Kansas Board of Regents. There is considerable range in the percentage of revenue from tuition among institutions.

Technical Colleges do not have taxing authority, although local appropriations have been received.

Specified technical colleges are eligible for the tax credit and loan program.





Recap – FY 2009 State Appropriations for Postsecondary Education

	FY 2008 Appropriations	FY 2009 Increase	% Incr.
Postsecondary Educational Institutions Combined Operating Grants Total	\$789,427,156	\$24,916,164	3.2%
Kansas Board of Regents Office Operations			
Student Financial Assistance	\$24,697,041	\$100,000	
Military Service Scholarship	\$250,000	\$250,000	
Subtotal – Student Financial Assistance	\$24,947,041	\$350,000	1.4%
Board Office Administration	\$6,282,953	(\$123,647)	-2.0%
Other Postsecondary Education Programs	\$9,683,502	(\$3,690,570)	
Kansas Academy of Math & Science	\$100,000	\$195,000	
PEI Infrastructure Debt Service Interest		\$680,469	
Subtotal	\$9,783,502	(\$2,815,101)	-28.8%
Other Initiatives			
Wichita Center for Graduate Medical Education	\$1,000,000	\$1,500,000	
KU School of Pharmacy		\$1,000,000	
Aviation Research (NIAR) & Aviation Infrastructure	\$4,750,000	\$5,250,000	
Subtotal – Other Initiatives	\$5,750,000	\$6,750,000	
GRAND TOTAL	\$836,190,652	\$30,077,0416	3.6%



Board's Approach to the Budget

June, 2008 Board considered requesting:
 "Keeping Up" – 4% help with inflation
 "Catching Up" – 1% close the faculty salary gap
 "Stepping Up" - \$21.1 million to address critical workforce shortages (increasing the supply of math and science teachers, construction professionals, engineers, health care workers, science, business, etc.)
 "Building Up" – additional funding for deferred maintenance

July Board directed institutions to prepare for 2% FY09 cuts and 5% FY10 cuts

August Directed state universities to report on efficiencies

Sept Board requested a 4% inflationary increase and submitted lists of possible budget actions for 2% FY09 cuts and 5% FY10 cuts



FY 2010 Higher Education Unified Operating Budget Request

Category of Appropriation	FY 2009 Appropriations	FY 2010 Requested Increase	% Incr.
Postsecondary Educational Institutions Combined			
Operating Grants Total – Inflation, 4% HEPI Increase	\$806,825,359	\$32,273,014	4.0%
Kansas Board of Regents Office Operations			
Student Financial Assistance – 4% Selected Programs	\$25,297,041	\$747,697	3.0%
Board Office Administration – No Enhancements Requested	\$6,159,306	0	0.0%
Other Postsecondary Education Programs	\$9,168,971	100,000	
Midwestern Higher Education Compact Dues Increase	\$90,000	\$5,000	
Subtotal – Other Postsecondary Educ. Programs	\$9,258,971	\$105,000	1.1%
Total – Kansas Board of Regents Office Operations	\$40,715,318	\$852,697	2.1%
GRAND TOTAL	\$847,540,677	\$33,125,711	3.9%



Summary of Anticipated Spending Reductions – FY 2009

FY 2009 Possible Budget Action	Total	State Universities	Washburn University	Community Colleges	Technical Colleges
Reduce Personnel Delay hiring and other personnel actions	\$6,158,943	\$5,502,315		\$656,628	
Reduce OOE Equipment, supplies, travel, etc.	8,813,120	7,442,685		1,256,435	114,000
Shift Expenditures to Other Revenue Sources					99,000
Other Budget Actions				388,000	
Reduction in New National Center for Aviation Training and Aviation Research	182,000	50,000			132,000
Reduction in Graduate Medical Education (Wichita)	50,000	50,000			
Unspecified (TBD)	501,937		304,000	115,937	82,000
Board Office Operations	126,982				
TOTAL -- 2%	\$16,319,982	\$13,045,000	\$304,000	\$2,417,000	\$427,000

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Summary of Anticipated Spending Reductions – FY 2010

FY 2010 Possible Budget Action	Total	State Universities	Washburn University	Community Colleges	Technical Colleges
Reduce Personnel Reduce over 600 positions Delay hiring	\$34,213,696 1,000,000	\$34,213,696 1,000,000			
Reduce positions, delay hiring, reduce benefits	2,736,769			\$2,536,769	\$200,000
Reduce OOE Equipment, supplies, travel, etc. Existing and new educational programs	11,641,304 443,978	10,017,304		1,425,000 443,978	199,000
Shift Expenditures to Other Revenue Sources	2,643,000			2,643,000	
Other Budget Actions					
Reduction in New National Center for Aviation Training	175,000	175,000			
Reduction in graduate medical education	175,000	175,000			
Programmatic reductions	813,000				813,000
Unspecified (TBD)	2,862,253	76,000	1,064,000	1,440,253	282,000
Board Office Operations	218,058				
TOTAL -- 7%	\$56,922,058	\$45,657,000	\$1,064,000	\$8,489,000	\$1,494,000

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Governor's Plan for Postsecondary Education

FY 2009 and FY 2010 -- Summary

The Governor's recommended appropriations from state funds for postsecondary education operating expenditures for FY 2009 totals \$838 million, a decrease of slightly less than \$25 million or 3% less than the FY 2009 approved appropriations.

The Governor's recommended appropriations from state funds for postsecondary education operating expenditures for FY 2010 totals \$784 million, a decrease of an additional \$79 million for a total of over \$100 million over the two years or a reduction in state funds of 12%. Further, the Governor recommends a net reduction of state funds for previously approved capital expenditures of an additional \$16 million.

Overall state higher education funding would be reduced by a total of over \$120 million over the two fiscal years.



Governor's Plan for FY 2009 -- Specifics

- Reduce the postsecondary educational institutions operating grants by 3% (\$24.4 million)
- Eliminate FY 2009 funding for the Kansas Academy of Mathematics and Science at FHSU and delay program (\$295,000)
- Debt Restructuring at PSU (\$160,000)



Governor's Plan for FY 2010 – Specifics

- Reduce the postsecondary educational institutions operating grants by an additional 4% (\$32 million)
- Eliminate FY 2009 funding for the Kansas Academy of Mathematics and Science at FHSU (\$713,000)
- Eliminate funding for Wichita Aviation Infrastructure (\$2.5 million)
- Eliminate funding for Graduate Medical Education in Wichita (\$2.5 million)
- Eliminate dues in the Board Office for Midwest Higher Education Commission (\$90,000)
- Eliminate the annual base appropriation increase for ACCESS US (\$200,000)

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Governor's Plan for FY 2010 – Financing Shifts, Use of Balances to Reduce SGF/ELARF

- Eliminate \$15 million SGF, and use one-time balances in the EBF of \$13.7 million for the 2007 five-year deferred maintenance program
- Eliminate \$15 million ELARF, and recommend bonding authority for the previously approved KU Pharmacy expansion
- Reduce a total of \$9.0 million SGF attributed to debt restructuring
- Reduce \$15.9 million SGF because of a moratorium on employer contributions for employee benefits and transfer to the SGF
- Eliminate \$2 million SGF for Kan-ed, but add \$2 million KUSF(financing shift)

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Student Financial Assistance Programs

The Governor recommends no current year reductions and recommends holding Board administered programs' appropriations flat for FY 2010.

The Governor recommends an increase of \$100,000 for KSU Veterinary Training Program for a total base of \$400,000 (which completes the program).

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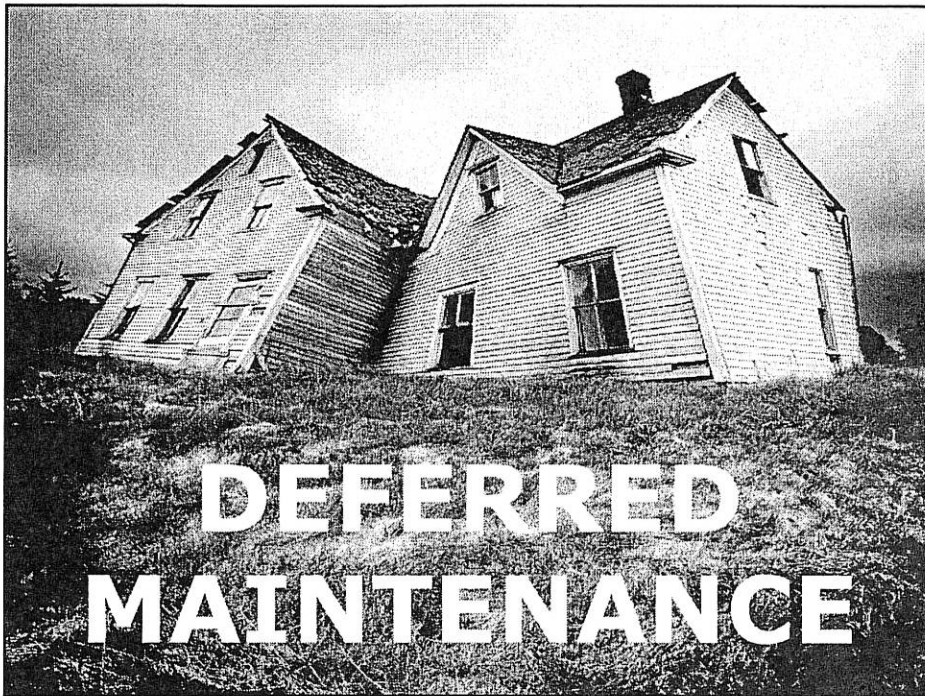
Governor's Plan -- Other Impacts

- Governor recommends base pay for state employees increase by 1.0%; however, no specific funding is added to agencies' budgets – impacts state universities
- Governor recommends and provides funding for proceeding with year 2 of the market study of classified jobs and includes funding for under-market salary adjustments (\$8.5 million statewide) – impacts state universities with classified employees
- Proposed change in machinery and equipment “slider” impacts community colleges – (est. \$1.4 million for FY 2010)

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Deferred Maintenance -- We Begin to Address

- In 2007, the state universities faced a daunting and increasingly dangerous maintenance backlog of \$663 million. At the same time, the state's community colleges, technical colleges, and Washburn were facing a maintenance backlog of \$172 million.
- The 2007 Legislature approved a 5-year funding plan which will provide: \$90 million in state funds and \$44 million in interest earnings to the state universities; tax credits that could generate up to \$158 million in private contributions to the 32 public higher education institutions; and \$100 million in interest-free bonding authority for the community colleges, technical colleges, and Washburn.
- For the state universities, the 5-year plan, if fully-funded, will address approximately 38% of the \$663 million maintenance backlog that exists among the 429 state-owned "mission critical" academic buildings.
- Did not include ongoing dedicated state revenue stream to assist with meeting the needs of ongoing maintenance of facilities & infrastructure



Deferred Maintenance -- 2008 Condition Report

- The 2008 report uses the same approach and methodology as reports in 2006 and 2004

- The current estimate of the deferred maintenance backlog is approximately \$825 million

- The current estimate of an estimated amount of \$90 million is needed for ongoing maintenance compared to the slightly over \$50 million available (\$15 million from the EBF and \$37 million in operating budgets)



"The Kansas Board of Regents shall pursue measurable continuous improvement in the quality and effectiveness of the public postsecondary educational system in Kansas, while expanding participation for all qualified Kansans. To achieve that mission, the Board will demand accountability, focus resources, and advocate powerfully."

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KANSAS BOARD OF REGENTS
 FY 2010 HIGHER EDUCATION UNIFIED OPERATING BUDGET REQUEST - STATE FUNDS
 FY 2009 APPROVED APPROPRIATIONS COMPARED WITH GOVERNOR'S FY 2009 and FY 2010 BUDGET RECOMMENDATIONS
 Board of Regents Approved September 17, 2008; Governor's Recommendation January 13, 2009

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	FY 2009 Combined Approved Appropriations	FY 2010 KBOR Budget Request Increase	% Increase	FY 2009 Governor's Budget Recommendations	% Change	FY 2010 Governor's Budget Recommendations	% Change
Postsecondary Educational Institutions							
Combined Operating Grants Total	\$806,825,359			(\$24,298,814)		(\$56,277,226)	-7.0%
State University GHI, Death & Disability Moratorium (neutral impact)						(\$15,946,775)	-2.0%
Unified Block Grant Requested Increase							
"Keeping Up" - Inflation, 4% HEPI Increase		\$32,273,014					
"Catching Up" - Salaries -- 1%		did not request					
"Stepping Up" - State Priorities		did not request					
Total Postsecondary Educational Institutions	\$806,825,359	\$32,273,014	4.0%	(\$24,298,814)	-3.0%	(\$72,224,001)	-9.0%
Kansas Board of Regents Office Operations							
Student Financial Assistance Programs	\$6,304,616					\$100,000	
KSU - Veterinary Medicine Scholarship (4th year)	\$300,000	\$100,000					
Requested 4% HEPI Increase on the Following Programs:							
Comprehensive Grant Program	\$15,689,878	\$627,595					
Teacher's Scholarship Program	\$1,962,859	\$78,514					
National Guard Educational Assistance	\$925,838	\$37,034					
Optometry Education Program	\$113,850	\$4,554					
Subtotal - Student Financial Assistance	\$25,297,041	\$847,697	3.4%	\$0	0.0%	\$100,000	0.4%
Board Office Administration	\$6,159,306			(\$127,881)		(\$8,261)	
GHI, Death & Disability Moratorium (neutral impact)						(\$83,528)	
Kan-ed Funding Shift to Kansas Universal Service Fund (KUSF)				(\$60,138)		(\$2,004,609)	
Subtotal - Board Office Administration	\$6,159,306	\$0	0.0%	(\$188,019)	-3.1%	(\$2,096,398)	-34.0%
Other Postsecondary Education Programs	\$3,737,498						
MHEC Dues Increase	\$90,000	\$5,000				(\$90,000)	
Access Us	\$200,000					(\$200,000)	
Kansas Academy for Math & Science	\$295,000			(\$295,000)		(\$713,000)	
Subtotal - Other Postsecondary Education Programs	\$4,322,498	\$5,000	0.1%	(\$295,000)	-6.8%	(\$1,003,000)	-23.2%
Total - Kansas Board of Regents Office Operations	\$35,778,845	\$852,697	2.4%	(\$483,019)	-1.4%	(\$2,999,398)	-8.4%
Debt Service and Other Direct Appropriations							
KBOR & University Debt Service Payments Adjustments	\$4,811,122			\$1,755		\$4,811,122	
Debt Restructuring - Bond Refinancing				(\$160,000)		(\$3,631,841)	
KUMC Wichita Center for Graduate Medical Education	\$2,500,000					(\$2,500,000)	
WSU Aviation Infrastructure	\$2,500,000					(\$2,500,000)	
All Other	\$10,786,004						
Total - Debt Service and Other Direct Appropriations	\$20,597,126	\$0		(\$158,245)		(\$3,820,719)	
TOTAL OPERATING	\$863,201,330	\$33,125,711	3.8%	(\$24,940,078)	-2.9%	(\$79,044,118)	-9.2%
Capital Projects							
KU Pharmacy Expansion (ELARF), Replaced with Bond Authority	\$15,000,000					(\$15,000,000)	
Univ. Deferred Maintenance (Infrastructure Maintenance Fund)	\$15,000,000					(\$15,000,000)	
Univ. Deferred Maintenance (EBF Balance)	\$0					\$13,700,000	
Total -- Capital Projects	\$30,000,000	\$0		\$0		(\$16,300,000)	
Grand Total	\$893,201,330	\$33,125,711	3.7%	(\$24,940,078)	-2.8%	(\$95,344,118)	-10.7%

HEPI is the Higher Education Price Index.

The table reflects appropriations from the State General Fund (SGF), Economic Development Initiatives Fund (EDIF), Educational Building Fund (EBF) and Expanded Lottery Act Revenue Fund (ELARF).