

MINUTES

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

February 15, 2010
Room 144-S—Statehouse

Members Present

Senator Dwayne Umbarger, Chairperson
Senator Pat Apple
Senator Jay Emler
Senator Marci Francisco
Senator Laura Kelly

Members Absent

Representative Jo Ann Pottorff, Vice-chairperson
Representative Steve Brunk
Representative Bill Feuerborn
Representative Mitch Holmes
Representative Bob Grant

Staff

Audrey Dunkel, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Gary Deeter, Committee Secretary
Florence Deeter, Assistant

Conferees

Debra Prideaux, Executive Director, Alumni and Governmental Relations, Fort Hays State University

Other Attending

See attached sheet.

The Chairperson called the meeting to order at 12:15 p.m., thanked Ron Gaches and Associates for the lunch, and asked Audrey Dunkel, Kansas Legislative Research Department, to review the capital improvements budgets for the Regents universities.

Ms. Dunkel explained that because of Postsecondary Education Infrastructure (PEI) Grants and the Deferred Maintenance program, Regents capital improvements funding becomes a more labyrinthine process, which the Board of Regents is seeking to simplify (Attachment 1). Regarding the FY 2010 capital improvements budget requests, the Regents estimates system-wide totaled \$134.7 million, which includes \$1.4 million from the State General Fund (SGF). The estimates include \$51.3 million for rehabilitation and repair, \$46.2 million for deferred maintenance, and debt service principal payments of \$37.1 million. The Governor concurred with the FY 2010 request except for the funding coming from PEI bonds; he recommended \$5 million from the SGF for bond principal payments, whereas the Board of Regents requested payments from the special revenue funds. (Principal payments are made by the Regents; interest payments are made by the state.) Ms. Dunkel noted that the Regents received \$40 million from the ARRA (American Reinvestment and Recovery Act), one-third of which was distributed to institutions for operating expenses and two-thirds for deferred maintenance. She further noted that the ARRA funds applied only to the FY 2010 budget, not the FY 2011 budget.

For FY 2011, Ms. Dunkel reported that the Regents requested capital improvements expenditures of \$103.6 million, which includes \$33.9 million from the SGF. The request includes \$39.3 million for rehabilitation and repair, \$5.7 million for deferred maintenance, and debt services principal payments of \$43.6 million. The Governor pared the totals to \$71 million, reducing the impact on the SGF to \$8.7 million. The Governor's recommendation reduces all funds by 31.5 percent and SGF by 74.2 percent, the reductions reflecting enhancements being cut for deferred maintenance for the University of Kansas (\$21.1 million, all SGF) and from the University of Kansas Medical Center (\$9 million, all SGF). Further, the Governor recommended PEI bond principal payments from the SGF rather than from special revenue funds, with a moratorium on additional bond issuance, a savings of \$2.5 million. Ms. Dunkel noted that the state paid interest on the bonds for FY 2010 and eliminated the interest payments for FY 2011.

Ms. Dunkel referenced the status of the various state building funds (Attachment 2).

A Committee member noted that Fort Hays State University had no expenditures for deferred maintenance. Debra Prideaux, Executive Director, Alumni and Governmental Relations for the university, said the \$500,000 was inadvertently omitted and will be included in the report on Wednesday, February 17.

Lacking a quorum, the Committee was unable to approve the report.

The meeting was adjourned at 12:37 p.m. The next meeting is scheduled for Wednesday, February 17, at noon in Room 144-S of the Capitol.

Prepared by Gary Deeter
Edited by Audrey Dunkel

Approved by Committee on:

April 28, 2010

(Date)

Joint Committee on State Building Construction

Review of Capital Improvements Requests for:

Kansas Board of Regents
Emporia State University
Pittsburg State University
Fort Hays State University
Wichita State University

February 15, 2010

*Attachment 1
JCSBC 2-15-10*

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION REPORT

CAPITAL IMPROVEMENTS

Agency: Postsecondary Education Systemwide

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Capital Budget Page No. Various

Project	Agency Estimate FY 2010	Gov. Rec. FY 2010	JCSBC Rec FY 2010
Projects:			
Board of Regents			
Debt Service Principal – Crumbling Classrooms	\$ 13,305,000	\$ 13,305,000	\$ 0
Debt Service Principal – Postsecondary Education Infrastructure (PEI) Grants	5,000,000	5,000,000	0
Subtotal	\$ 18,305,000	\$ 18,305,000	\$ 0
Emporia State University			
Rehabilitation and Repair	\$ 3,725,428	\$ 3,725,428	\$ 0
Deferred Maintenance	2,155,156	2,155,156	0
Debt Service Principal	631,000	631,000	0
Subtotal	\$ 6,511,584	\$ 6,511,584	\$ 0
Pittsburg State University			
Rehabilitation and Repair	\$ 3,576,097	\$ 3,576,097	\$ 0
Deferred Maintenance	2,443,519	2,443,519	0
Debt Service Principal	1,074,227	1,074,227	0
Subtotal	\$ 7,093,843	\$ 7,093,843	\$ 0
Fort Hays State University			
Rehabilitation and Repair	\$ 8,597,588	\$ 8,597,588	\$ 0
Deferred Maintenance	4,573,453	4,573,453	0
Debt Service Principal	5,384,603	5,384,603	0
Subtotal	\$ 18,555,644	\$ 18,555,644	\$ 0
Wichita State University			
Rehabilitation and Repair	\$ 3,488,766	\$ 3,488,766	\$ 0
Deferred Maintenance	5,085,462	5,085,462	0
Debt Service Principal	1,585,399	1,585,399	0
Subtotal	\$ 10,159,627	\$ 10,159,627	\$ 0
University of Kansas			
Rehabilitation and Repair	\$ 15,308,971	\$ 15,308,971	\$ 0
Deferred Maintenance	10,650,404	10,650,404	0
Debt Service Principal	4,916,836	4,916,836	0
Subtotal	\$ 30,876,211	\$ 30,876,211	\$ 0

Project	Agency Estimate FY 2010	Gov. Rec. FY 2010	JCSBC Rec FY 2010
University of Kansas Medical Center			
Rehabilitation and Repair	\$ 3,690,373	\$ 3,690,373	\$ 0
Deferred Maintenance	3,426,205	3,426,205	0
Debt Service Principal	917,687	917,687	0
Subtotal	\$ 8,034,265	\$ 8,034,265	\$ 0
Kansas State University			
Rehabilitation and Repair	\$ 12,427,984	\$ 12,427,984	\$ 0
Deferred Maintenance	17,906,430	17,906,430	0
Debt Service Principal	4,314,557	4,314,557	0
Subtotal	\$ 34,648,971	\$ 34,648,971	\$ 0
KSU - ESARP			
Rehabilitation and Repair	\$ 504,800	\$ 504,800	\$ 0
TOTAL	\$ 134,689,945	\$ 134,689,945	\$ 0
Financing:			
State General Fund	\$ 1,448,168	\$ 6,448,168	\$ 0
General Fees Fund	10,302,601	10,302,601	0
Deferred Maintenance Support Fund	12,808,589	12,808,589	0
Infrastructure Maintenance Fund	7,120,426	7,120,426	0
Federal American Recovery and Reinvestment Act Fund	26,311,614	26,311,614	0
Educational Building Fund	49,847,051	49,847,051	0
All Other Funds	26,851,496	21,851,496	0
TOTAL	\$ 134,689,945	\$ 134,689,945	\$ 0

Agency Estimate

The **agency** estimates FY 2010 systemwide capital improvements expenditures of \$134.7 million, including \$1.4 million from the State General Fund. The estimate includes \$51.3 million for rehabilitation and repair projects, \$46.2 million for deferred maintenance, and debt service principle payments of \$37.1 million.

Governor's Recommendation

The **Governor** concurs with the systemwide request for FY 2010 with the exception of funding for the Postsecondary Education Infrastructure (PEI) bonds. The Governor recommends \$5.0 million, all from the State General Fund, for bond principal payments. The Board of Regents had requested the payments from special revenue funds, collected from the institutions accessing funding through the PEI bond program for the principal payments. Interest payments for the program are paid by the State.

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION REPORT

CAPITAL IMPROVEMENTS

**Agency: Postsecondary Education
Systemwide**

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Capital Budget Page No. Various

Project	Agency Estimate FY 2011	Gov. Rec. FY 2011	JCSBC Rec FY 2011
Projects:			
Board of Regents			
Transfers to Universities	\$ 15,000,000	\$ 15,000,000	\$ 0
Debt Service Principal – Crumbling Classrooms	13,985,000	13,985,000	0
Debt Service Principal – Postsecondary Education Infrastructure (PEI) Grants	7,500,000	5,000,000	0
Debt Service Principal – Research Bonds	5,225,000	5,225,000	0
Subtotal	\$ 41,710,000	\$ 39,210,000	\$ 0
Emporia State University			
Rehabilitation and Repair	\$ 1,016,215	\$ 1,016,215	\$ 0
Deferred Maintenance	370,000	370,000	0
Debt Service Principal	510,000	510,000	0
Subtotal	\$ 1,896,215	\$ 1,896,215	\$ 0
Pittsburg State University			
Rehabilitation and Repair	\$ 900,000	\$ 900,000	\$ 0
Deferred Maintenance	375,000	375,000	0
Debt Service Principal	1,449,918	1,449,918	0
Subtotal	\$ 2,724,918	\$ 2,724,918	\$ 0
Fort Hays State University			
Rehabilitation and Repair	\$ 400,000	\$ 400,000	\$ 0
Deferred Maintenance	0	0	0
Debt Service Principal	615,944	615,944	0
Subtotal	\$ 1,015,944	\$ 1,015,944	\$ 0
Wichita State University			
Rehabilitation and Repair	\$ 340,000	\$ 340,000	\$ 0
Deferred Maintenance	935,544	935,544	0
Debt Service Principal	3,057,306	3,057,306	0
Subtotal	\$ 4,332,850	\$ 4,332,850	\$ 0

University of Kansas

Rehabilitation and Repair	\$	24,349,500	\$	3,200,000	\$	0
Deferred Maintenance		1,950,000		1,950,000		0
Debt Service Principal		5,761,870		5,761,870		0
Subtotal	\$	32,061,370	\$	10,911,870	\$	0

University of Kansas Medical Center

Rehabilitation and Repair	\$	9,481,500	\$	500,000	\$	0
Deferred Maintenance		276,000		276,000		0
Debt Service Principal		962,687		962,687		0
Subtotal	\$	10,720,187	\$	1,738,687	\$	0

Kansas State University

Rehabilitation and Repair	\$	765,396	\$	765,396	\$	0
Deferred Maintenance		1,800,000		1,800,000		0
Debt Service Principal		4,508,937		4,508,937		0
Subtotal	\$	7,074,333	\$	7,074,333	\$	0

KSU - ESARP

Rehabilitation and Repair	\$	1,000,000	\$	1,000,000	\$	0
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KSU – Veterinary Medical Center

	\$	1,092,660	\$	1,092,660	\$	0
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TOTAL	\$	<u>103,628,477</u>	\$	<u>70,997,477</u>	\$	<u>0</u>
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Financing:

State General Fund	\$	33,858,264	\$	8,727,264	\$	0
General Fees Fund		1,914,407		1,914,407		0
Deferred Maintenance Support Fund		5,706,544		5,706,544		0
Infrastructure Maintenance Fund		0		0		0
Federal American Recovery and Reinvestment Act Fund		0		0		0
Educational Building Fund		28,985,000		28,985,000		0
All Other Funds		33,164,262		25,664,262		0
TOTAL	\$	<u>103,628,477</u>	\$	<u>70,997,477</u>	\$	<u>0</u>

Agency Requests

The **agency** requests FY 2011 capital improvements expenditures of \$103.6 million, including \$33.9 million from the State General Fund. The estimate includes \$39.3 million for rehabilitation and repair projects, \$5.7 million for deferred maintenance, and debt service principle payments of \$43.6 million.

Governor's Recommendation

The **Governor** recommends FY 2011 capital improvements expenditures of \$71.0 million, including \$8.7 million from the State General Fund. The recommendation is a reduction of \$32.6 million, or 31.5 percent, all funds and \$25.1 million, or 74.2 percent, State General Fund below the agency request. The reduction reflects unfulfilled enhancement requests for deferred maintenance funding of \$21.1 million, all from the State General Fund, for the University of Kansas and \$9.0 million, all from the State General Fund, for the University of Kansas Medical Center. In addition, the Governor recommends the payment of Postsecondary Education Infrastructure (PEI) bond debt service from the State General Fund instead of special revenue funds collected from the institutions for debt service principal payments, and recommends that no additional bonds be issued for a savings of \$2.5 million, all from special revenue funds.

Attachment 2
JCSA 2-18-10

Status of State Building Funds

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Actual	Actual	Gov. Rec.	Governor's Estimate	Governor's Estimate
<u>Educational Building Fund</u>					
Beginning Balance	\$ 13,772,498	\$ 17,515,790	\$ 17,360,468	\$ (2,063,942)	\$ 1,729,975
Released Encumbrances/Adjs.	--	--	--	--	--
Receipts	33,493,892	33,936,742	32,592,641	34,268,917	34,971,715
Resources Available	\$ 47,266,390	\$ 51,452,532	\$ 49,953,109	\$ 32,204,975	\$ 36,701,690
Less Expenditures	\$ 29,750,600	\$ 34,092,064	\$ 52,017,051	\$ 30,475,000	\$ 30,475,000
<u>State Institutions Building Fund</u>					
Beginning Balance	\$ 12,813,718	\$ 12,116,898	\$ 10,024,109	\$ 7,536,078	\$ 10,524,320
Released Encumbrances/Adjs.	36,271	--	--	--	--
Receipts	16,551,274	16,960,860	16,347,821	17,187,246	17,539,965
Resources Available	\$ 29,515,494	\$ 29,077,758	\$ 26,371,930	\$ 24,723,324	\$ 28,064,285
Less Expenditures	\$ 17,398,596	\$ 19,053,649	\$ 18,835,852	\$ 14,199,004	\$ 14,199,004
<u>Correctional Institutions Building Fund</u>					
Beginning Balance	\$ 1,913,101	\$ 2,741,172	\$ 2,068,591	\$ --	\$ --
Released Encumbrances/Adjs.	--	--	--	--	--
Receipts	5,012,332	4,798,305	4,797,985	4,992,000	4,992,000
Resources Available	\$ 6,925,433	\$ 7,539,477	\$ 6,866,576	\$ 4,992,000	\$ 4,992,000
Less Expenditures	\$ 4,184,261	\$ 5,470,886	\$ 6,866,576	\$ 4,992,000	\$ 4,992,000
<i>Unfinished or delayed FY 2010 projects will result in lower FY 2010 expenditures and a positive balance.</i>					

Educational Building Fund

KSA 76-6b01 authorizes a 1.0 mill tax levy on real property for the Educational Building Fund (EBF), for the use and benefit of the state institutions of higher education.

KSA 76-6b02 limits the use of the funds in the EBF to the construction, reconstruction, equipment and repair of buildings and grounds at the state educational institutions under the control and supervision of the State Board of Regents and for payment of debt service on revenue bonds issued to finance such projects, all subject to appropriation by the Legislature.

State Institutions Building Fund

KSA 76-6b04 authorizes a 0.5 mill tax levy on real property for the State Institutions Building Fund (SIBF), for the use and benefit of state institutions caring for persons who are mentally ill, retarded, visually handicapped, with a handicapping hearing loss or tubercular or state institutions caring for children who are deprived, wayward, miscreant, delinquent, children in need of care or juvenile offenders and who are in need of residential care or treatment, or institutions designed primarily to provide vocational rehabilitation for handicapped persons.

State institutions include, but are not limited to, those institutions under the authority of the Commissioner of Juvenile Justice.

KSA 76-6b05 limits expenditures from the fund to be used for the construction, reconstruction, equipment and repair of buildings and grounds at institutions specified in K.S.A. 76-6b04, and amendments thereto, and for payment of debt service on revenue bonds issued to finance such projects, all subject to appropriation by the Legislature.

Correctional Institutions Building Fund

KSA 79-4803 transfers an amount equal to 10.0 percent of the balance of all moneys credited to the state gaming revenues fund to the Correctional Institutions Building Fund (CIBF), to be appropriated by the Legislature for the use and benefit of state correctional institutions.