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House Committee on Taxation Neutral Testimony on SB 35

February 27, 2025

Blake Flanders
President and CEO, Kansas Board of Regents

Good afternoon, Chair Smith and Members of the Committee. Thank you for the opportunity to appear before you today to discuss SB 35, a bill that would change a vital and stable source of state funding for the state universities. We absolutely appreciate that property taxes in Kansas need to be addressed. Because facilities and the stewardship of those facilities are such an important aspect of what we offer our students, funding for the maintenance of those facilities is critical to our state universities.

The Educational Building Fund (EBF) was first established by the 1941 Legislature. For most of the past 80+ years, the EBF has been the one consistent dedicated source of state funds for academic and research building projects at the state universities. Income to the Fund is derived from a one mill, statewide levy on property subject to ad valorem taxation.

State universities' buildings provide the physical environment to fulfill the institutional missions, help with recruitment and retainment of students, faculty and staff, inspire ongoing participation of alumni and donors, and create a sense of community.

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A table outlining past and projected revenues to the EBF and expenditures from the Fund is below. Our Board is pleased to have the benefit of this dedicated fund to address the ongoing maintenance of state facilities.

Educational Building Fund					
	FY 2022 <u>Actual</u>	FY 2023 <u>Actual</u>	FY 2024 <u>Actual</u>	FY 2025 <u>Projected</u>	FY 2026 <u>Projected</u>
Beginning Balance	\$ 41,251,865	\$ 45,536,174	\$ 57,124,155	\$ 60,202,946	\$ 3,605,705
Revenues					
Property Tax	40,658,136	44,303,002	48,119,640	50,150,000	51,840,000
Motor Vehicle Taxes	3,890,318	3,999,874	4,090,570	4,172,381	4,211,828
Other Receipts/Recoveries	<u>36,807</u>	<u>5,789</u>	<u>18,909</u>	--	--
Total Revenues	\$ 44,585,261	\$ 48,308,665	\$ 52,229,119	\$ 54,322,381	\$ 56,051,828
Resources Available	\$ 85,837,126	\$ 93,844,839	\$ 109,353,273	\$ 114,525,328	\$ 59,657,533
Total Expenditures	\$ 40,300,952	\$ 36,720,684	\$ 49,150,327	\$ 110,919,623	\$ 58,500,000
Ending Balance	\$ 45,536,174	\$ 57,124,155	\$ 60,202,946	\$ 3,605,705	\$ 1,157,533

Recognizing that the EBF by itself is not adequate to address the maintenance needs of our academic and research buildings, the Board is implementing a capital renewal initiative, made possible with your partnership. A best practice for annual investment in facilities maintenance equates to 2% of asset replacement value adjusted annually for inflation.

First and foremost, the Board of Regents has put the state universities on a path to meet that 2% standard with an annual maintenance assessment. They are also on a mission to tear down obsolete facilities that are in such poor condition the cost to repair them is too great, or they no longer meet the needs of the university. To date, we have earmarked 27 buildings comprising over 625,000 square feet for demolition – eliminating \$95.0 million in deferred maintenance costs.

The EBF amounts to approximately 1/3 of the revenues needed to keep the maintenance backlog at bay for our mission critical buildings. The other 2/3 of the revenue needed will come from the universities' maintenance assessment.

For decades, the Legislature has made investments in buildings and infrastructure on the campuses of the state universities, for which the Board of Regents is grateful. The state universities and the Kansas Board of Regents oversee this investment, but the buildings and the land that they occupy belong to the citizens of Kansas. Currently, there are a total of 1,134 facilities in use with a total area of more than 39 million gross square feet with a total replacement value of just over \$13.5 billion.¹ These facilities comprise a substantial majority of the State of Kansas' total building inventory.

¹ 2024 University Facilities Report (as required by K.S.A. 76-7,103).

As stewards of these assets, the Board of Regents and the state universities seek to continue our partnership in ensuring the long-term viability of the campuses.

We appreciate the effort in SB 35 to replace funds that currently come from property taxes, and as amended, we look forward to working with you to accomplish your goal of reducing property taxes while protecting this valuable investment in your state university facilities.

Thank you for the opportunity to appear before you today on this matter important to our state universities.