

March 18, 2011

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 235 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 235 is respectfully submitted to your committee.

SB 235 would create the University Engineering Initiative Act with the goal of increasing the annual number of engineering graduates to 1,365 graduates in 2021. The Board of Regents would have the authority to acquire, construct, and equip engineering facilities on state-owned property and would be able to request the issuance of bonds, not to exceed \$195.0 million, as necessary to finance the facilities. Debt service on the bonds would be the obligation of the Board of Regents and would be paid from annual appropriations or from other available funds. The Board would be required to consider the different needs of the University of Kansas, Kansas State University, and Wichita State University to expand the programs to increase the number of graduates.

Each of the three universities and the Board of Regents would establish a new fund into which all funding for the purposes of the University Engineering Initiative Act would be deposited. Funding transferred from the State General Fund or the Expanded Lottery Act Revenues Fund (ELARF) would require a non-state dollar to dollar match. In addition, purchases related to the engineering facilities would not be subject to sales tax.

SB 235 would change current law to allow ELARF dollars to be used for the University Engineering Initiative Act. On July 1, 2013, \$4.0 million would be transferred from ELARF to the Kan-grow Engineering Fund—Regents. On July 1, 2014, and every year thereafter \$7.0 million would be transferred to this fund.

SB 235 would have a significant fiscal effect on the state; however the exact effect is difficult to determine. The total bonding authorized would be up to \$195.0 million with debt service coming from the State General Fund. The first debt service payments could begin in FY 2013; however, the amount of interest would be dependent on when the bonds are issued. The

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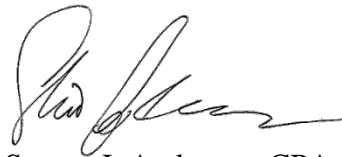
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Initiative could also receive appropriations from the State General Fund or ELARF in amounts determined by the Legislature. In addition, for FY 2014 the Regents would receive \$4.0 million from ELARF and on July 1, 2014, and every year thereafter, the Regents would receive \$7.0 million. Expenditure from the Kan-grow Engineering Fund-Regents Fund would be required to be matched on a dollar for dollar basis from non-state sources. In addition, purchases related to the Initiative would be tax exempt.

When the facilities become available, the universities would have to hire additional faculty and would receive additional tuition and fees from the engineering students. The number of graduating engineers that would stay in Kansas is unknown. Any fiscal effect associated with SB 235 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Diane Duffy, Board of Regents
Theresa Gordzica, University of Kansas
Cindy Bontrager, Kansas State University
Steve Neske, Revenue
Mary Herrin, Wichita State University