



KANSAS BOARD OF REGENTS

House Taxation Committee
May 20, 2015

TESTIMONY IN OPPOSITION TO HOUSE BILL 2435

Good morning Chairman and Members of the Committee. I am Greg Hoffman, Director of Facilities at the Kansas Board of Regents, and I am submitting this testimony in opposition to the proposal to tax construction materials for University System projects.

Taxing the cost of materials for construction and renovation projects at the universities would result in higher costs to the taxpayers, because it will not only increase the direct costs of construction projects to cover the additional tax expense, but also increase interest costs for bonded projects.

The University System, on average, spends annually:

- \$80 million per year on Deferred Maintenance projects per the Fall 2014 Report on State University Deferred and Annual Maintenance
- \$162 million per year on Capital Improvement projects per the FY2017 -2018 Capital Improvement Request and Five-Year Plans Report

TOTAL \$242 million spent annually for construction and renovation projects

Construction materials can often range anywhere from 40% to 60% of the total construction costs of a project. With an estimated \$242 million spent annually, this generally accepted range would represent a materials cost of \$96.8 - \$145.2 million.

If we assume a conservative 7% tax on these construction material costs, this legislation would represent an annual cost to the University System and taxpayers, of \$6.8 - \$10.2 million.

This additional cost would add greater strain to our University System deferred maintenance backlog, increase the cost of new construction, and would cost the taxpayers more money in the long run.

We urge you to oppose this bill.

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