

## MINUTES

### LEGISLATIVE EDUCATIONAL PLANNING COMMITTEE

November 19, 2003  
Room 514-S—Statehouse

#### Members Present

Senator Dwayne Umbarger, Chair  
Representative Kathe Decker, Vice Chair  
Senator Christine Downey  
Senator Mark Taddiken  
Senator John Vratil  
Representative Carol Edward Beggs  
Representative Bill Mason  
Representative Eber Phelps  
Representative Larry Powell

#### Members of the State Board of Regents

Janice DeBauge, Chair  
Senator Dick Bond, Vice Chair  
Bill Docking  
Lew Ferguson  
Senator Frank Gaines  
Nelson Galle  
Jim Grier  
Donna Shank

#### Legislative Committee Staff

Deb Hollon, Kansas Legislative Research Department  
Carolyn Rampey, Kansas Legislative Research Department  
Kathie Sparks, Kansas Legislative Research Department  
Art Griggs, Revisor of Statutes Office  
Theresa Kiernan, Revisor of Statutes Office

#### State Board of Regents Staff

Reginald L. Robinson, President and Chief Executive Officer, State Board of Regents  
Marvin Burriss, Vice President for Finance and Administration, State Board of Regents

## Conferees

- Dr. Edward E. Berger, President, Hutchinson Community College and Area Technical School; Chair, Council of Presidents Finance Committee, Kansas Association of Community College Trustees
- Dr. Camille E. Kluge, President, Wichita Area Technical College; President, Kansas Association of Technical Schools and Colleges
- Dr. Duane Dunn, President, Manhattan Area Technical College

## Minutes of October Meeting

*Upon a motion by Representative Beggs, seconded by Senator Vratil, the minutes of the October meeting were approved, as revised. The revisions are to correctly show on page 1 that Representative Phelps attended both days of the meeting (October 9 and 10) and to make a correction on page 2 by changing the date of the first day of the meeting from October 8 to October 9.*

## Community College Funding

Dr. Ed Berger, President of Hutchinson Community College and Area Technical School, presented information about community colleges (Attachment 1). Dr. Berger told the Committee that enrollments in community colleges are increasing, partly due to the downturn in the economy. He explained that in economic bad times, students tend to live at home and enroll in less expensive institutions, enroll in job training programs in order to keep their skills current, or go to school when they lose a job in order to acquire new skills.

According to Dr. Berger, in spite of the importance of the role community colleges play, their activities are limited by the failure of the Legislature to adequately fund 1999 SB 345. SB 345 established a new community college funding formula that is tied to funding for the regional state universities and has as its goal state funding for community colleges that is equal to 65 percent of funding for lower division students at the regional universities. The increase in state funding was to have taken place over a four-year period, but only the first two years have been funded. The state operating grant for community colleges peaked at \$85.2 million in FY 2002 and was reduced to slightly under \$81.0 million in FY 2003 and FY 2004. Also halted at the end of the second year was the four-year phase out of county out-district tuition.

Dr. Berger told the Committee that the failure of the state to adequately fund community colleges has resulted in an increased level of support from local property taxes in those counties that have a community college. Even though a feature of SB 345 is dedication of state resources to the reduction of property taxes, and even though property tax mill levies were reduced in the first two years after passage of the bill, mill levies have increased dramatically in the last two years and now are higher than they were before SB 345 was implemented.

The only other primary source of revenues for community colleges—student tuition—also has increased. Dr. Berger said that tuition (excluding fees) has increased almost 20 percent since SB 345 was enacted.

Dr. Berger made the following recommendations to the Committee regarding community college funding:

- Implement quality programming through performance grants.

- Separate funding for business and industry training.
- Recognize high-cost programs that have quality of life issues, such as nursing and fine arts.
- Identify the role community colleges play in economic development.
- Establish differential funding for developmental programs.
- Establish a funding stream for crumbling campuses.

In discussion with Committee members following his presentation, Dr. Berger agreed that community colleges need to be concerned about Congressional activity that could affect them, such as the reauthorization of the Carl D. Perkins Vocational and Technical Education Act. He said community college representatives have an annual meeting with the Kansas Congressional Delegation in February for the purpose of keeping the delegation informed. Senator Downey suggested that additional contacts should be made before February.

Senator Vratil questioned Dr. Berger about the concept of “equity” as it pertains to community college funding. Dr. Berger responded that, when total funding does not increase for community colleges, the only institutions that get any additional money are those that have significant enrollment growth, which puts other community colleges at a relative disadvantage. He said community college representatives generally support the funding formula in SB 345, but want it to be fully funded.

Representative Mason asked how SB 345 affected the number of community colleges in Southeast Kansas. Dr. Berger explained that state aid is paid on a per student basis and, if a school is closed and the students transfer to another institution, the cost to the state is the same. The major source of funding for community colleges is the local property tax and it is the decision of the locally-elected board of trustees and the communities they represent as to whether to continue to bear the expense of a local institution.

## **Implementation of SB 7**

SB 7, enacted by the 2003 Legislature, requires each governing board of a technical college to develop a plan to replace the existing board with an independent governing board which is not a school district governing board. The plans must be developed and presented to the State Board of Regents on or before July 1, 2005. Existing statutory provisions for technical college boards cease to be effective on July 1, 2009. All plans must be approved by the Regents and by the governing board of the technical college. The staff explained that one impetus for the legislation is the fact that technical colleges that do not have an independent governing board are unable to be accredited by the North Central Association Higher Learning Commission.

Dr. Camille Kluge, President of the Wichita Area Technical College, told the Committee about progress her institution has made under SB 7 and discussed some of her concerns ([Attachment 2](#)). She said a transition team worked for months to develop a plan that will be presented to the State Board of Regents for its approval in December 2003. Additional costs due to the transition – administrative personnel, financial and strategic consultants, and other assistance – total \$634,000. Further, the technical college currently uses some USD 259 personnel who no longer will be available to them and will have to be replaced, at a cost of \$195,000. According to Dr. Kluge,

transition costs likely will be ongoing, at least until accreditation is attained, resulting in total increased annual costs of \$829,000.

Other likely funding increases in FY 2005 are an additional \$400,000 for health insurance (since the technical college no longer will be part of the employee pool for USD 259), \$450,000 for early retirements of employees who may decide they would rather quit than make the transition, and \$300,000 in additional costs for utilities. (It was explained that tariff regulations of the State Corporation Commission apply in such a way that separating from the USD 259 board will result in higher utility costs.) Dr. Kluge estimated that, in total, the annual cost of separate governance and accreditation by North Central Association will be \$3.0 million.

Other concerns identified by Dr. Kluge are:

- Employee issues, including benefits and the continuing contract law.
- Legal issues, including the territory served and whether the board should be appointed or elected.
- Funding issues, including taxing authority and full funding of the formula.
- Issues concerning facilities and asset transfer.
- The cost of transfer and accreditation, both short-term and ongoing.

Dr. Kluge told the Committee the postsecondary aid formula for technical colleges has been underfunded and, as a result, USD 259 has been subsidizing the technical college in an amount of about \$3.0 million per year. That subsidy could be justified when the technical college was under the governance of the USD 259 board, but once the institution is under the control of a new board, the responsibility of USD 259 for paying the majority of the tuition for postsecondary students who are not enrolled in the school district will end. As a result, the technical college will face a shortfall of 30 percent, which would require a 50 percent increase in tuition to offset or will result in the closing of programs. Dr. Kluge said for the six technical colleges overall, their FY 2003 funding was below the FY 1999 level.

Dr. Kluge made the following recommendations to the Committee:

- Authorize an independent review and analysis of higher education funding, with an emphasis on identifying a new approach to funding technical education.
- Until a better funding mechanism is in place, fully fund the existing technical funding formula for the technical colleges, at a cost of \$10.0 million.
- Authorize a property tax levy for technical colleges, similar to community college levies. As a first step, allow technical colleges to make a levy for adult basic education.

In discussion following her presentation, Dr. Kluge told the Committee the technical college has withdrawn from the Wichita Southside Center, will close another campus next summer, and, as of July 2004, no longer will offer night classes unless additional funding is received.

Dr. Kluge told the Committee that proceeds from the mill levy made by USD 259 for adult basic education is given to the technical college because it provides the adult basic education

program leading to the General Educational Development (GED) certificate. In addition, the technical college offers English as a Second Language programs in nine Wichita locations.

In discussing the problem of replacing lost revenues as the result of technical colleges severing relationships with school district governing boards, Committee members mentioned the possibility of authorizing a technical college to make a levy for adult basic education (or make an expanded levy for more than just adult basic education) or to enter into an arrangement similar to recreation commissions, which receive revenues from taxes levied by another taxing entity, such as a school district or city, on their behalf.

Dr. Duane Dunn, President of Manhattan Area Technical College, presented information about technical college enrollments and funding (Attachments 3 and 4). Dr. Dunn said the Manhattan Area Technical College began to seek North Central Association accreditation as soon as it became a technical college in 1996. He said accreditation is important to technical colleges because it places them on an equal footing with other postsecondary institutions and facilitates transfer of credits. He said SB 7 removed obstacles in the way of accreditation, but there still are concerns that need to be addressed. Among them are the following:

- Health insurance and benefits costs, which will become higher as a result of separating from the sponsoring school district employee pool.
- Other employee costs, such as higher salaries for technical college employees and early retirement benefits.
- Financial assistance for employees who seek to attain higher academic credentials appropriate to a collegiate institution.
- Costs for additional staff, both because it no longer will be possible to share employees with the sponsoring school district and because the staff has not increased in the last decade to accommodate enrollment.
- Lack of funds for facilities.
- Lack of funds for expensive programs, such as nursing and electric power distribution, and for program growth to meet industry demands.

Dr. Dunn's information shows that in recent years technical colleges have operated on reduced budgets compared to budgets that have been proposed and the amount of postsecondary aid is almost what it was in FY 1999, even though the economic downturn has placed even greater demands on the institutions to offer job training and retraining. Dr. Dunn said growth of the institutions, in terms of enrollment increases and additional programs, has been limited to the extent that institutions are being forced to cut successful programs in order to keep operating. He told the Committee that, unless additional funding is forthcoming, in five years his institution may not be able to continue operating. Dr. Dunn told the Committee one benefit to technical colleges would be to have access to funding earmarked for economic development.

Lee Alderman, President of Flint Hills Technical College, told the Committee his institution has hired consultants in health insurance, human resources, and financial operations as a consequence of separating from the sponsoring school district. He repeated concerns already expressed by other conferees about the serious funding shortfall and said he may have to cut three (out of 16) programs at his institution in order to continue operating. Mr. Alderman gave the Committee a draft copy of the plan his institution intends to submit to the State Board of Regents in fulfillment of the requirements of SB 7 (Attachment 5).

Mr. Alderman told Committee members that, in order to make up the loss in funding following passage of SB 345, it would be necessary to increase student tuition by up to 300 percent, since the technical colleges have no other major source of revenues, other than state aid and student tuition.

A summary of 2003 SB 7 prepared by the Kansas Legislative Research Department is Attachment 6.

## **Other Information**

A letter from Clark Coco, Superintendent of USD 272 (Waconda), to Senator Vratil concerning consolidation of school districts is Attachment 7.

## **Minutes of the November 12 Meeting**

*Upon a motion by Representative Phelps, seconded by Representative Powell, the Committee approved the minutes of the November 12 meeting.*

## **Meeting with the State Board of Regents**

The Committee was joined by members of the State Board of Regents to continue a tradition of meeting with the Board annually for the purpose of discussing items of mutual concern and to fulfill the Committee's statutory charge to monitor the implementation of 1999 SB 345.

## **Report from the Chair of the State Board**

Janice DeBauge, State Board Chair, made introductory remarks and described some of the Board's most recent accomplishments:

- **Seamlessness.** Easy transition from community colleges and state universities is virtually accomplished, according to Ms. DeBauge. A major initiative in this regard is the development of "core competencies," a project to ensure that similarly-named courses offered at different institutions contain similar content. For example, an introductory English course taught at a community college would be the same as an introductory English course taught at a state university. Ms. DeBauge said that implementation of SB 7, which would remove barriers to technical colleges receiving North Central Association accreditation, would be a further step toward seamlessness.
- **Coordination.** Ms. DeBauge said representatives of the various sectors meet together regularly to help the Board develop policy that affects all of the institutions under its jurisdiction. Cooperative efforts among institutions include the delivery of programs to place-bound students in Western Kansas and the Western Kansas degree-completion program.
- **Accountability.** Implementation of performance agreements will require each institution to identify initiatives that will enable it to attain statewide goals. The goals have been identified on the basis of various state assessment tools, postsecondary education studies, and the State Board's State Comprehensive Plan.

- **Issues Relating to Governed Institutions: Tuition Ownership, Efficiencies, and Research.** Ms. DeBauge said that tuition ownership has been beneficial to the state universities. She noted the effect on the universities of reduced funding in the areas of faculty salaries and less administrative support and spoke to the importance of research initiatives. She said a major area of concern is facilities and explained that funding under the Crumbling Classrooms project is depleted and there is a need for \$700.0 million for deferred maintenance.
- **Advocacy.** The State Board supports independent studies, such as that conducted by Citizens for Higher Education, which shows a need for continued support for higher education and hopes to generate additional grass-roots support for the higher education system in the state.
- **Funding Study.** The Board considers the completion of the second part of the Northwest Education Research Center (NORED) study one of its highest priorities. That study would be a comprehensive study of funding and student financial aid. Ms. DeBauge said half of the money to fund the study will come from the 36 postsecondary institutions and that private funding will be sought for the remaining half.

### **Regents Legislative Proposals and Implementation of 1999 SB 345**

Reginald L. Robinson submitted the following list of legislation requested by the State Board of Regents:

- Authority is requested for technical colleges to make a levy for adult basic education so that they are not dependent upon school districts to make the levy and transfer the money to them. The proposal would not affect the authority of school districts to continue to make a levy for adult basic education.
- Authority is requested for technical colleges to make a mill levy for operating expenditures.
- A request is made to remove a proviso which has been included in appropriations to the state universities, which limits expenditures from the General Fees Fund (mainly tuition revenues) to salaries and wages and other operating expenditures. The effect of the request is that student tuition could be used for capital improvements and would not be limited to operating expenditures.
- A request is made to require that interest earned on the General Fees Fund and certain other special revenue funds be credited back to the fund that generates the earnings and not to the State General Fund.
- Authority is requested to charge a fee for activities related to approving private degree granting institutions and to repeal the registration requirement pertaining to out-of-state schools that offer, in Kansas, fewer than 30 hours leading to a degree.

- Authority is requested for Kansas State University to sell land to the K-State Foundation for the purpose of constructing a hotel to serve as an on-campus laboratory for the hotel and restaurant management program.

In addition, the State Board supports 2003 HB 2145, which concerns undocumented immigrants attending state universities at in-state tuition rates.

Mr. Robinson reviewed some of the points made by Ms. DeBauge regarding the implementation of SB 345, including seamlessness, coordination, accountability, financial accountability, and administrative relief. With regard to the latter, he said the State Board is working with the Department of Administration to achieve relief in the areas of printing, purchasing, and other administrative areas.

In discussion with members following his presentation, Mr. Robinson responded to a concern of Representative Mason's about competition with the private sector if Kansas State University builds its own hotel for the restaurant management program. Mr. Robinson said he does not know what conversations have been held with local businesses in the area, but assured the Committee that such conversations would occur.

Mr. Robinson identified several aspects of SB 345 that continue to receive attention, including the development of an umbrella articulation policy, not just a series of agreements between individual institutions, and the reexamination of institutional service areas.

Committee members expressed concern about problems besetting technical colleges and asked Mr. Robinson to comment on the implementation of SB 7. He responded by saying that the legislation gives institutions until July 2005 to develop and present plans to the State Board and during that time, many problems likely will be resolved. Nevertheless, there also would be time to request additional legislation to address problems, if that becomes necessary. When asked if the State Board is concerned that technical colleges will not be able to comply with North Central Association accreditation requirements, Mr. Robinson said that one technical college already has been accredited and he believes the others will also.

Senator Umbarger expressed his regret that the Legislature has failed to fully fund SB 345, the result being that community college property taxes have risen more than was expected when the legislation was enacted. Senator Vratil said he would have expected the State Board to have proposed additional legislation to address the difficulties technical colleges are experiencing as they try to implement SB 7.

Board member Senator Bond invited the Committee to attend the State Board meeting on December 17 to hear a presentation by Dr. Michael Dolence, a consultant on technical education.

## **Regents FY 2005 Unified Budget**

Marvin Burris, Vice President for Finance and Administration, State Board of Regents, submitted the FY 2005 unified budget in compliance with SB 345 ([Attachment 10](#)). The budget request includes funding for the state university operating grant increases, community college and Washburn University operating grants, postsecondary state aid for technical schools and colleges, and capital outlay funding for community colleges, Washburn University, and technical schools and colleges. Also included is the funding request for student assistance programs and the Board Office.



Major components of the request include:

- Funding to hire 6.0 FTE new employees in the Board Office to work in the areas of legal affairs, academic affairs, student financial aid, external relations, and finance (\$319,283).
- Additional funding for the Comprehensive Grant Program (\$1,000,000), the Medical Student Loan Program (\$850,000), and the Osteopathic Scholarship Program (\$480,000).
- Third-year funding for community colleges, as prescribed by SB 345 (an increase of \$22.9 million over FY 2004).
- Operating grant increases to the state universities consisting of a 6 percent inflationary increase (\$32.6 million), an additional 1 percent to be allocated among the state universities to address "equity" issues (\$5.4 million), funds to service new buildings (\$989,612), and faculty enhancement funding (\$20.2 million).
- Area vocational school and technical college funding amounting to a \$4.5 million (16.1 percent) increase over FY 2004, consisting of \$3.0 million, which is the amount the institutions are underfunded in FY 2004, another \$1.5 million to provide a 6 percent base increase in FY 2005, and \$2.6 million for capital outlay expenditures.
- Third-year funding for Washburn University, as prescribed by SB 345 (an increase of \$2.5 million over FY 2004).

The meeting was adjourned.

Prepared by Carolyn Rampey

Approved by Committee on:

December 4, 2003

(date)