

MINUTES OF THE HOUSE COMMITTEE ON HIGHER EDUCATION.

The meeting was called to order by Chairperson Lisa Benlon at 3:30 p.m. on February 20, 2002 in Room 231-N of the Capitol.

All members were present.

Committee staff present: Paul West, Legislative Research
Carolyn Rampey, Legislative Research
Jim Wilson, Revisor of Statutes
Renaë Jefferies, Revisor of Statutes
Dee Ann Woodson, Committee Secretary

Conferees appearing before the committee:

Representative Dennis McKinney
Steve Kearney, Kansas Association of Technical Schools and Colleges
Sheila Frahm, Executive Director, Kansas Association of Community Colleges
Jim Edwards, Kansas Chamber of Commerce and Industry
Bernie Koch, Wichita Area Chamber of Commerce
Bud Burke, Cessna Aircraft Company
Steve Jack, Department of Human Resources
Representative Ralph Tanner
Mary Pruewitt, State Board of Regents
Jack Wempe, Member of the State Board of Regents
Duane Dunn, President, Manhattan Area Technical College (Written only)

Others attending: See attached list.

HB 2872 - Workforce development loan program and fund

Chairperson Benlon opened the hearings on **HB 2872**, and called the first proponent, Representative Dennis McKinney. He testified that this bill was aimed at three policy goals: (1) it seeks to encourage more students to enter the vocational fields and fill the skills in such great demand in the Kansas economy; (2) it keeps students in Kansas to benefit Kansas businesses and the Kansas economy after the program enhances their skills; and (3) provides one means of helping technical schools expand their student capacity. He explained that the bill provides loans to students who attend technical schools, vocational schools, and community colleges. He said that after completing a program, the student may have the loan forgiven over an eight year period by living and working in Kansas. (Attachment 1)

Representative McKinney outlined by section what the bill proposes, and talked about the problems of funding. He stated that he would also suggest adding a provision to allow the Board of Regents to assist those in making the transition from welfare to work. He handed out a spreadsheet that showed what Kansas was spending on workforce development, how much federal money the state had, and where it was going. It indicated there were several programs within the Department of Human Resources, SRS, and other agencies which totaled \$113 M. He explained how that money could be reallocated to include this program too. He concluded that the biggest obstacle to growth and opportunity within the state according to many analysts was the shortage of a well-educated, highly skilled workforce. He urged the Committee to support **HB 2872** as an important step in creating opportunity and growing the Kansas economy. (Attachment 2)

Inquiry was made if there was a Fiscal Note on this bill, and the Chair acknowledged that a Fiscal Note was delivered just prior to starting this meeting. She read the last paragraph of the note which said that according to the Kansas Board of Regents, enactment would require an additional 1.0 FTE position to administer the Workforce Development Loan Program. Also, the Board would need a clerical position at a cost of \$26,500 annually for salaries and benefits, \$2,500 annually for other operating expenditures, and

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

\$3,000 one-time expense for office space, equipment, and furniture. (Attachment 3) Representative McKinney had not seen the Fiscal Note since it had just been delivered to the Higher Education Committee.

General questions and discussion followed regarding what happened to the money that was repaid, the problems of funding such a program by transferring federal money from the Departments of Human Resources and Social and Rehabilitation Services (SRS), and everyone wanted this type of program, but where to get the funds to support it continued to be a big problem. Concern was also expressed and clarification requested regarding whether this was attempting to set up some sort of endowment, and Representative McKinney assured the Committee that was not the case. A question was also asked referenced on page 6 of the proposed bill regarding each local board having the authority to fix tuition, fees and charges for rates per hour of tuition for post-secondary students who are not residents of the state.

Representative McKinney concluded his remarks by stating that with a lot of these programs right now, i.e. automotive technology, airplane maintenance, airplane design, etc.; it is no longer just courses to give basic mechanical skills but programs are very high tech. He said that students are brought along not just on skills dealing with the mechanical and technological aspects, but they also have to develop their ability to communicate and think analytically and the demand for these students is very high.

The second proponent to appear in favor of **HB 2872** was Steve Kearney, representing the Kansas Association of Technical Schools and Colleges, who submitted Dr. Duane Dunn's written testimony also in support the workforce development loan program and fund. (Attachment 4)

Sheila Frahm, Executive Director of the Kansas Association of Community College Trustees, testified before the Committee in support of the proposed legislation and also submitted the written remarks of Pratt Community College/AVTS President, Dr. William Wojciechowski. She stated that the issue of a skilled workforce was a critical one for Kansas, and that Kansas Community Colleges provide and seek to provide even more opportunities to insure a skilled workforce.

In Dr. Wojciechowski's written remarks he disclosed that Kansas was experiencing an aging population and the workforce was turning over at an alarming rate, and they were seeing a decline in the numbers of traditional students desiring to enter into technical education programs in general, even though a few selected career specialties do have waiting lists. He explained that this was do in part to students not having the personal finances necessary to cover the cost of that education especially if those students had to reside at school. His written comments reflected the estimated costs that students face, and he stated that many students have a hesitancy to enter into loans, even subsidized loans, because they are wary of beginning their careers in considerable debt.

Dr. Wojciechowski stated that the incentive and value of **HB 2872** was that it offered a low interest-bearing loan which provides for the necessary training to enter into a reasonably high paying job, and it also provides a further incentive to keep individuals working in Kansas by allowing for loan forgiveness. He further added that the value of **HB 2872** was keeping those skilled people working in Kansas and creating a highly skilled workforce that would help attract additional business and industry into the state.

Ms. Frahm also attached to her written testimony an article from the Wall Street Journal, dated February 19, 2002, entitled "Community Colleges Can Help Small Firms with Job Training". She pointed out in the middle of the article that the nation's 1,151 community colleges enroll some 10 million people during any given year of which 19 of them are Kansas colleges, many of them with the average age of 29, trying to get some job skills after having worked at less-satisfying tasks in early adulthood. (Attachment 5)

Committee questions and concerns were raised about how to raise money or where to divert money from to pay for this worthwhile endeavor, the need for creative thinking on how to come up with \$1 million to finance this program, and having the right number of jobs available upon completion to match up with the number of students graduating and needing jobs.

The fourth proponent was Jim Edwards, Kansas Chamber of Commerce and Industry, who testified in support of **HB 2872**, and said their interest in this legislation was due to their members need for skilled workers. He stated that the use of an educational loan program would help in encouraging Kansas residents who have not selected an occupation to strongly consider a technical program, and it would also

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

provide an avenue for those individuals laid off in recent downsizings to gain the skills needed to re-enter the workforce. He reminded the Committee members that approximately 60% of the jobs today required significant technical skills while only about 20% did in the later 1990's. He pointed out some items that are needed to succeed in such a program. (Attachment 6)

Representative Kuether referred to page one of the bill, line 27 (c), which stated that, "The Board of Regents may accept any private contributions to the program", and inquired regarding the importance of private companies being involved in supporting these types of programs. Mr. Edwards responded that there were many businesses that were presently doing that, but didn't know whether a tax credit was needed to do it. He stated that business should be an active member in this endeavor.

Bernie Koch, Wichita Area Chamber of Commerce, appeared as the fifth proponent to speak in favor of this proposed legislation. He stated that what he like about this bill was that it attacked the problem on two ends, i.e. providing a funding source for students but also offering the vocational institution some flexibility on what it can charge. He added that it could allow the schools to admit more students and avoid some of the waiting lists they have experienced at the Wichita Technical College. (Attachment 7)

The sixth proponent was Bud Burke who represented Cessna Aircraft Company in Wichita. He spoke briefly in support of this bill, and encouraged the Legislature to find the funds to implement this program.

Chairperson Benlon called upon Regent Jack Wempe, representing the Kansas Board of Regents, who testified as a neutral conferee. He commended the Committee and Representative McKinney for their interest in workforce development and the recognition of the part it plays in Kansas' economic development. He told the Committee that Kansas ranks 34th in need-based state aid per undergraduate FTE, and much of that aid was in the form of grants for students enrolled in private institutions. He said that Kansas currently has fourteen categorical programs, each with relatively small amounts of appropriated funds, of which six of those programs require a service obligation of some type and require tracking of the recipients.

Mr. Wempe expressed a concern for an examination of this proposal's ramifications regarding funding sources. He also stated that the simplicity of administration of this bill must also be considered, and that tracking students with all of the nuances contained therein was a formidable task. He said that the Regents' organization was stretched badly, and that the funding deferred in 1999 had not been forthcoming. He suggested that a state income tax credit as the qualifier might reduce tracking responsibility, and a copy of the tax form could serve as evidence of service in Kansas in lieu of loan payment. He spoke briefly about the capacity issue and waiting lists for the popular much needed programs. Mr. Wempe also talked about the last portion of the bill which looked to release the tuition level from the formula. He stated that higher tuition levels can bring non-tax dollars to technical education and might permit a heavier emphasis upon scholarships by employers. He added that in fact if one could extend the tax credits in this direction, it could simplify the whole student aid issue. (Attachment 8)

Following general discussion and comments, the Chair called upon the first opponent to testify. Steve Jack, Director of Employment and Training, Kansas Department of Human Resources, spoke in opposition to **HB 2872**. He said his testimony would concentrate in the area of section 10 regarding the funding for this proposal which would transfer \$500,000 of Federal U.S. Department of Labor funds now administered by the Kansas Department of Human Resources (KDHR) to the State Treasurer whereby the funds would be used to provide for student loans. He stated that passage of this bill would negatively impact the KDHR's ability to administer these Federal funds, which all have specific intent and restrictions for the use of these dollars.

Mr. Jack explained that the funds in question are currently utilized to pay for training for eligible individuals at community colleges, technical schools, and other certified training providers. He said the law does not allow for the funds to be used for student loans. He testified that as long as the Federal government sends moneys to states for specific purposes, the states must follow those guidelines, performance measures, and restrictions. He stated that the redirection of these funds would jeopardize the state's ability to access the \$13 million of funds currently made available to the state for WIA programs and services, the \$6.5 million available to administer Job Service, and funds available for other KDHR administered programs. He concluded his remarks by explaining that because such a transfer

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

would violate Federal statutes, it was likely the Department of Labor would suspend the State's authority to draw funds down under these programs, thereby restricting the ability of the state to complete such a transfer and to further operate existing programs. (Attachment 9)

General questions and discussion followed regarding the possibility of other funds within KDHR that could be used to fund the workforce development program and whether state facility grant money could be diverted. Mr. Jack responded that his agency's legal and technical staff have been researching the various Federal funds that it administers, and so far they have not found a source that could be legally utilized for a student loan program. He did say they had asked for an opinion from the Regional Department of Labor office in Kansas City back in January, but as yet had not received a response. He also explained the various types of grants they receive for state facility use. Representative Keuther requested the language covering the facility grants and their restrictions, and Mr. Jack agreed to furnish her with that information.

The Chair asked Committee members if there were further questions, and Representative Lane asked Jim Edwards with the Kansas Chamber of Commerce if he would continue to support this bill if the money came out of the state's General Fund as opposed to the Departments of Human Resources and SRS. Mr. Edwards replied that they supported the concept, but as far as funding there were probably places that they would begin to oppose that bill if it came from certain sources not including the two they had mentioned in today's discussion. Representative Lane asked for clarification if they would support taking \$1 million out of the state's General Fund to support the workforce development program. Mr. Edwards answered in the affirmative. Representative Lane then inquired if he would support taking the interest from the Employment Security Trust Fund and using it to pay for this program, and Mr. Edwards replied that they would not. He explained that it would be targeting one specific area of the state to fund a state program.

Representative Tanner asked Mr. Edwards if the Chamber would support the allocation of \$1 million from the lottery fund or EDIF fund for this program. Mr. Edwards said that he didn't know where they would find a \$1 million as all those funds had been appropriated within that fund. He added that if they raised the cap on that fund from \$50 million to \$51 million they could go along with it.

Further questions were asked by Representative Sloan and regarded Section 2, line 29, which talked about establishing a repayment schedule. He asked Representative McKinney about a differential rate for those individuals that leave the state because when a person resides in the state they pay other taxes. Representative McKinney stated that Section 4 contained provisions for failure of any person to satisfy an obligation incurred under the loan agreement. His second question concerned page 1, line 24, and the word "administered", in which he questioned whether the Board of Regents actually administered the vocational schools. Mr. Wempe said that word needed to come out because the Board does not govern them.

There being no other opponents to appear before the Committee, Chairperson Benlon closed the hearings on **HB 2872**. She announced that the Committee would be working this bill at the next meeting which would be Monday, February 25.

HB 2910 - Student residency determination criteria and guidelines, community colleges, and state educational institutions

Chairperson Benlon opened the hearings on **HB 2910**, and called the first proponent, Representative Ralph Tanner. Representative Tanner explained the differences in the domiciliary rules which qualify a person for "in-state" as opposed to "out-of-state" tuition charges rose from the fact that some institutions operated under rules promulgated by State Board of Education and others were from the Board of Regents. He stated that there continued to be a difference in residency rules among higher education institutions even with the passage of **SB 345** (1999).

Representative Tanner gave an example of a student from eastern Colorado who chose to attend a community college in western Kansas, established residency there, and graduated. He told the Committee members that she chose to attend Kansas State University and registered there, but was later told she did not qualify for "in-state" tuition. Representative Tanner explained that her parents contacted him as to

CONTINUATION SHEET

why the rules would be different from one school in Kansas to another. He stated that this bill would cause the distinctions among post-secondary institutions in the state in the area of residence rules would

be eliminated. He told the Committee that he had attached a copy to his written testimony of the state of Washington's criteria for some of the proofs of domiciliary status. ([Attachment 10](#))

General questions and discussion followed regarding the residency requirements for vocational and technical schools, college students and individuals in the military can register to vote in the areas where they reside plus obtain driver's licenses, but are not considered as in-state students when it comes to the residency rules, and that foreign students possibly would have the incentive to stay in Kansas and work if allowed easier access to an education.

Mary Prewitt, General Counsel, Kansas Board of Regents, appeared before the Committee as an opponent to the proposed legislation. She stated that the bill had the laudable purpose of making the criteria and guidelines for establishing residency for tuition purposes uniform for both the community colleges and the state universities. She explained that as with everything else about these two sectors, the procedures by which residency was determined in the two sectors had developed independently, and there were differences. She added that the evidence that must be provided by prospective students to establish their intent to permanently remain in Kansas sometimes differs in both weight and substance between the sectors.

Ms. Prewitt testified that the Board of Regents had to oppose this particular bill for the following reasons: (1) The residency statutes that apply to each sector differ in and of themselves, and it is not clear whether the Board could comply with its language without additional statutory changes; (2) the bill omits both the technical schools and colleges plus Washburn University; and (3) the bill has potential significant fiscal and operational implications for the institutions that it does cover. She told the Committee that implementation of this bill would cause a huge fiscal impact on both Kansas State University and the University of Kansas.

Ms. Prewitt concluded her testimony by telling the Committee that the Board has begun discussions with the institutions to find ways to implement a more uniform process for determining residency. She stated that they saw this as a process that must proceed with the input of all the affected institutions and with an awareness of the potential consequences to all of the affected institutions. ([Attachment 11](#))

In Committee discussion, Representative Tanner stated that he disagreed with the Regents' reasons for opposing this bill, and stated that "if the state of Washington could do it, then Kansas could also do it". Representative Reardon requested a clarification regarding the uniformity of the residency rule in the three Regents' schools. Ms. Prewitt stated that there was uniformity in the rules between the three Regents' schools, they make a concerted effort to make sure those rules are applied uniformly, and meet on a regular basis to discuss cases. Representative Hurst pointed out in the article on Washington State Residency that in order to establish residency the student needs to be financially independent and explains what that requires plus live in the state for 12 consecutive months. Ms. Prewitt explained the Kansas rule in which the statute requires them to look at the intent of the student in order to apply the rule of residency.

Chairperson Benlon read the Fiscal Note on **HB 2910**. The Division of the Budget's note said: "The Board of Regents indicates that the implementation of the bill would have a fiscal effect relative to the assessment and collection of tuition by state educational institutions, the amount of state funding for those institutions, and the awarding of state-funded student financial aid. The Board, however, is unable to estimate the fiscal effect until the criteria and guidelines for residency are determined." ([Attachment 12](#))

Having no other opponents appearing before the Committee, Chairperson Benlon closed the hearing on **HB 2910**.

The Chair adjourned the meeting at 5:15 p.m. The next meeting of the House Higher Education Committee will be Monday, February 25, Room 231-N, at the Capitol.

CONTINUATION SHEET