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Testimony on HB 2019 – Funding Higher Education Infrastructure

Rep. Tom Sloan

Mr. Chairman, Members of the Committee:

No one likes to pay taxes and property taxes are among the least supported because the payments are due just before Christmas and just after the income tax filing deadline. Property taxes also are considered regressive because they do not reflect the property owner's income level.

Most of us also recognize that home and rental property owners must maintain our homes and rentals by making periodic investments in infrastructure (e.g., roofs, electrical wiring, heating and cooling systems). The same is true of government agencies, they too must invest to maintain the investments that the people of Kansas have made. One of the reasons the Capitol restoration project was so costly was that we had not done a comprehensive upgrade and maintenance program for generations. It also was necessary to upgrade the electrical and other systems to handle the rise of technologies (e.g., computers, wireless communications devices).

Regents' institutions represent the greatest public investment in Kansas. Maintenance historically has been less attractive politically than providing funds to develop new programs and buildings (e.g., the Cancer Center, School of Pharmacy). The Legislature in 1997 provided funds to partially address the "Crumbling Classrooms" at our universities. Ten years later in 2007, the Legislature again provided minimal funding to partially address the need to modernize and maintain university buildings. One time infusions of money every 10 years does not provide the resources necessary to keep our state's university buildings up to date for teaching, research, or to attract grants, students, and elite faculty.

HB 2019 reflects three things: 1) the need for the Regents to reliably have the necessary funds to maintain and upgrade buildings throughout the system (the bill permits investments in the 4-year, 2-year, and technical colleges); 2) the need to reduce State General Fund expenditures IF the Legislature is not going to revisit and increase the income tax rates; and 3) that the affordability of college education is threatened if the Regents must use tuition money to maintain and improve the schools' infrastructures.

HB 2019 strives to address those factors in a manner that increases the Regents' accountability for the expenditure of capital funds by: 1) authorizing the Board of Regents to increase the EXISTING State Educational Building Fund statewide mill levy by up to an additional 3 mills; and 2) prior to notifying the Department of Revenue that the mill levy for the subsequent year will decrease, remain constant, or increase, the Regents must provide the Legislature with the list of projects on which those funds will be expended.

The bill provides the Board of Regents with the ability and responsibility to fund capital projects (new construction, bonds for construction, renovations/up-grades). For the first time they will have the capability ACCOUNTABILITY AND RESPONSIBILITY for managing their capital infrastructure investments and the Legislature will not decide whether funding higher education infrastructure needs are more or less important than K-12 education or social safety net programs. The Legislature also will not be required to provide funds to support bonds necessary to construct new buildings (e.g., current request to fund a Vaccine and Virus Research Center and the on-going obligation related to the Cancer Center). This opportunity for the Regents to manage their capital budget with a dedicated revenue stream comes with the obligation to keep the Legislature informed about their spending priorities.

Additional Points to Consider Related to HB 2019: The Regents have testified that they have more than \$800 million of deferred maintenance, plus additional capital investment needs, identified. HB 2019 would raise approximately \$100 million per year, so the Regents will need to continue prioritizing their investments. Committee members may wish to consider increasing the proposed 3 mill levy option to 4 mills to better off-set State General Fund reductions that may occur and to make the maintenance/investment cycle a little shorter for the Regents' institutions. Committee members may also wish to expedite the implementation of HB 2019 to permit the transition from State General Fund transfers to the Board of Regents having control of their capital funds revenue stream.

Final Comments: The State Education Building Fund mill levy was established in 1942 and has essentially been at 1 mill since 1955 (60 years). That in itself is not a reason to raise the rate. The compelling reasons for me, are that: 1) a previous Legislature recognized the need to fund infrastructure maintenance and improvement to protect our largest taxpayer investment – higher education facilities. We are NOT creating a new tax, but are reflecting the reality that over 60 years, maintenance, technologies, and educational opportunities cost more; 2) the Regents, not the Legislature will be responsible and accountable to the public for any increase in the State Education Building Fund mill levy. This is no different than the Legislature providing the Dept. of Wildlife, Parks and Tourism a range of fees they can charge for various hunting licenses or the Dept. of Agriculture a range of possible inspection fee rates; and 3) the Governor and many of us have stated that higher education is the true economic development driver for our state – both in terms of developing an educated workforce and from business developments resulting from commercializing intellectual properties. Investing responsibly in maintaining and improving our economic driver is vital to our state's and citizens' long term prospects.

On the wall in the Capitol Visitor's Center is a statement by President Dwight D. Eisenhower, "The opportunist thinks of me and today. The statesman thinks of us and tomorrow." Thank you for your attention to my comments and careful consideration of HB 2019. Because of our state's reliance on higher education, if not HB 2019, then what do you recommend? I will respond to questions at the appropriate time.