



## KANSAS BOARD OF REGENTS

### **Quarterly Report to Joint Committee on State Building Construction For the Quarter Ended September 30, 2010**

**From Eric King, Director of Facilities, Kansas Board of Regents  
Delivered on November 10, 2010**

#### **Introduction and History**

Good afternoon, Chairman Umbarger and members of the Committee. Thank you for this opportunity to appear before your committee to provide you with a quarterly report on the State Educational Institution Long-Term Infrastructure Maintenance Program, per requirements mandated by K.S.A. 76-7,103 *et seq.*

As you know, in 2007, the Legislature enacted legislation creating the Postsecondary Educational Institution (PEI) Long-Term Infrastructure Maintenance Program (IMP), as well as several important financing components that will be implemented over the five-year period that began in 2008. These components included:

- I. Direct state funds of \$90 million and a then estimated \$44 million in interest earnings from university funds to begin to address the then-documented \$663 million backlog of deferred maintenance projects at the state universities;
- II. Interest-free bonding authority up to \$100 million available to Washburn University, the 19 community colleges, and the five technical colleges to be used for infrastructure improvement projects; and
- III. Allowance of state-funded tax credits intended to generate up to \$158 million in private contributions to the state's six universities, Washburn University, the 19 community colleges, and the five technical colleges.

This report covers the first quarter of fiscal year (FY) 2011, ended September 30, 2010. At the end of this period, the state universities had total, actual, project-to-date expenditures of \$61,981,354, which includes direct state funds of \$50,671,958, university interest earnings of \$10,580,976, and tax credit donation expenditures of \$728,420. The expenditures include those made in fiscal years 2008, 2009, and 2010, as well as the monies spent through this quarter of FY 2011.

#### **Direct State Funds, University Interest Earnings, and Tax Credit Donations**

The following is an abbreviated narrative update on the progress the state universities have made on their authorized, deferred maintenance projects. Information about each university's current

quarter and project-to-date expenditures can be found in the spreadsheets attached for your review. If additional detail about these expenditures is needed, please let me know.

Emporia State University

1. Physical Education Building Roof Replacement – This project is complete, and allocated funds were expended.
2. William Allen White (WAW) Library HVAC Repairs/Replacement - This project is complete, and allocated funds were expended.
3. WAW Library Electrical Repairs/Replacement - This project is complete, and allocated funds were expended.
4. WAW Partition Repairs/Replacement – The HVAC & Electrical Repairs/Replacement project bids were considerably under the estimates for this project, and repairs/replacement of partitions related to these projects were included in those budgets. The remaining funds have been transferred to start other deferred maintenance projects indicated in FY 2011 and FY 2012.
5. Utility Tunnels Repairs - Work has been completed with this phase of the project, with valve replacements, asbestos abatement, and re-insulation. Additional tunnel work will be started upon the completion of the asbestos and re-insulation work. A study has been completed to verify the location, condition and types of valves for the campus main water supply lines in the tunnel system. The final phase of construction and funding will start in FY 2012. Remaining funds from other completed projects have been reallocated to this project to allow the start of the replacement of the campus main water supply lines at an earlier date.
6. Roosevelt Hall Foundation Stabilization - This project is complete, and allocated funds were expended.
7. Roosevelt Hall HVAC Replacement – This project is complete. Remaining funds will be reallocated to other deferred maintenance projects indicated in FY2011 and FY2012.
8. Roosevelt Hall Plumbing Replacement – This project is complete. Remaining funds will be reallocated to other deferred maintenance projects indicated in FY2011 and FY2012.
9. Elevator repair projects for White Library, Cremer Hall, and King Hall have been completed. The remaining funds will be transferred to start other deferred maintenance projects indicated in FY 2011 and FY 2012.

Fort Hays State University

1. Picken Hall Improvements – This project is complete.
2. Utility Tunnel Replacement from Center of Quad to Rarick Hall – This project is complete.

3. Service Buildings Masonry Cleaning and Sealing – This project is complete.
4. Sheridan Hall Re-Roofing – This project is complete.
5. Felten-Start Theatre Seating Replacement – This project is complete.
6. Repaint Cunningham Hall Gyms 100,101,120 & 121 – This project is complete.
7. Campus Exterior Graphics – Phase II – This project is complete.
8. Campus Medium Voltage Electrical Improvements – Phase I civil/architectural work has been bid and awarded. A preconstruction meeting will be held in October 2010. Generator and switchgear components have been bid and awarded, and units are currently in production. Phase I-a electrical installation for switchgear and generator will go to bid within (60) days. Phase II Medium Voltage Electrical Loops is currently in design. Phase II will now be paid though Federal Stimulus Funds. The generator and switchgear components were also paid through Federal Stimulus funds.
9. Street Improvements – The first project, which included replacing one block of street paving along Park Street/South Campus Drive, is complete. Future street improvements will be undertaken as tuition interest funding allows.

Kansas State University

1. Utilities Infrastructure and Power Plant Improvements:
  - a. Replacement of campus steam line – Federal Stimulus Funds will now pay for the work. The project engineer is Smith and Boucher. The project is under construction.
  - b. Boiler replacement in the Power Plant – The work is complete. The project engineer is Bucher Willis Ratliff, and the contractor is Knopke Co., LLC of Kansas City.
  - c. Repair and replace antiquated 4160 volt electrical system - Project construction is 99% complete. The completion date is November 1, 2010. The engineer is Morrow Engineering, and the contractor is Torguson Electrical Co.
2. Renovate Academic and Academic Support Space in Old Memorial Stadium – The master plans for East and West Memorial Stadium improvement are complete. East Stadium is now the capital improvement project titled “Old Memorial Stadium Student Welcoming Center.” West Stadium is on hold pending improvement funds.
3. Leasure Hall Renovation
  - a. The elevator was completed in January 2009.

- b. The construction of a general use classroom (Room 010) is complete. The design and construction were done in house.
- c. The exterior doors were replaced, and the stairs were altered to conform to ADA and life safety standards. The design was done in house, and construction was done by an on-call contractor. The project is complete.
- d. Office room 101 was renovated to house four faculty members. Design and construction were done in house, and the project is complete.

4. Willard Hall:

- a. Repair and replacement of exterior stone walls is complete. The stones were cleaned and tuck-pointed where possible, and waterproofing of the entrances is complete. The contractor was Restoration and Waterproofing, Inc., and the architect for the project was Bruce McMillian Architects.
- b. Construction is complete for the below-grade waterproofing. The contractor was Ron Fowles Construction, and the engineering was done in-house.
- c. The medium-voltage electrical project is complete. Brack & Associates was the engineer, and the contractor was Coal Creek Construction.
- d. The broken coolers have been removed. The basement walls have been demolished to begin the repair and replacement project, and asbestos abatement is complete.
- e. Life safety and ADA improvements construction is complete. The firm of Treanor Architects is the on-call project architect, and the contractor is The Wilson Group.
- f. Basement improvements project construction is complete. Treanor Architects is the on-call architect, and the contractor is Cheney Construction Company.
- g. Willard north basement improvement is complete. Treanor Architects is the on-call architect, and the contractor is Cheney Construction Company.
- h. The KSU Facilities shops and private contractors are converting all basement spaces to useable art studios, and the work is complete.
- i. The fire alarm system for the building was bid and contract work was awarded to Cheney Construction. The project is complete.
- j. Forty percent of the basement windows have been replaced, and a bid package is being prepared for the remaining windows in the building. The revised date of completion is February 1, 2011.

- k. The reroofing project is in the planning stage. Ebert Mayo Design Group is the architect of record. The lower roof has been replaced by Danker Roofing. Willard's upper roof is in design by Ebert/Mayo Design Groups, and is 30% complete. The roofing projects will start in 2011, and the building may be scaffolded for the work.
- l. A new ventilation system is being designed by Brock and Associates to provide exhaust from hoods located in various second and third floor Art Department Studios. The construction will be bid out. The design is 5% complete.
- m. Rooms 102 through 106 are being renovated into a usable wood studio for the Art Department. Brock and Associates are doing the design work. The plan is 5% complete, and the project will be bid.

5. Seaton Court:

- a. The Seaton Court roof project construction is complete, and the warranty inspection was conducted on October 18, 2010. The on-call architect is Anderson Knight of Manhattan, Kansas, and the contractor is Ron Fowles.
- b. The flat roof of the connecting structure between Seaton Court and Seaton Hall was evaluated. The project has been divided, due to the fact that two different roofing systems are involved, each with its own problems and solutions.
  - i. Flat roof - The on-call consultants BG Engineering completed the plans, and the project was bid. Ron Fowles Construction was the successful low bidder. The project is under construction and is 95% complete.
  - ii. Gable roof - The cracked and broken rafters cannot be repaired, and there is a large amount of asbestos-containing materials surrounding them. In-house plans and specifications for an umbrella roof to be built over the existing roof are 95% complete. BG Engineering has been retained to do the structural plans. Architectural plans are being done in house. Construction is scheduled to be completed in Fall 2010.
- c. A fire sprinkler system to be installed in the Seaton link, Seaton Court shops area, and Seaton Court is in the design phase, and plans are 50% complete.

6. Roofs and Other Projects:

- a. The Calvin Hall re-roofing project was completed in Winter 2008.
- b. The Justin Hall 109 general use classroom renovation was completed in Fall 2008.
- c. The Kedzie Hall 017 classroom laboratory renovation was completed in Fall 2008.
- d. The Call Hall re-roofing plans are 50% complete.

Pittsburg State University

1. McCray Hall Renovation - The project is complete. Final payment was issued May 1, 2009.
2. Electrical Switchgear Replacements - The project is complete. Final payment was issued February 24, 2009.
3. Axe Library Masonry Restoration – The project is complete. Final payment was issued December 16, 2008.

4. Russ Hall Facade Restoration – The project is complete. Final payment was issued on January 8, 2009.
5. Steamline Replacement – The project is complete. Final payment was issued October 6, 2009.
6. Porter Hall Renovation – The project was divided into two phases. Phase I is complete. Final payment was issued January 25, 2010. Phase II includes all interior work, including new HVAC system, electrical service upgrades, and new lights in studios. Phase II bid on January 28, 2010. Construction began in May 2010, with completion expected by Fall 2010. Currently, work continues in the sculpture and photo labs. Work is expected to complete in these labs along with punch list items that have been identified for all other areas by early November 2010.
7. Yates Hall Renovation – This project was split into three separate projects. The new windows project bid April 2, 2010, and the HVAC project bid April 18, 2010. The roofing project was moved, to be funded from the R&R allocation. All three projects were expected to be completed during the summer of 2010. The new windows and HVAC system projects began construction in May 2010 and are expected to be substantially complete in October 2010. Punch list items have been identified and are in progress. These projects were originally scheduled to begin in FY 2011, but were moved to FY 2010.
8. Grubbs Hall Renovation – This project will provide for the repair of the first floor slab settlement, replace windows, replace louvered corridor interior doors, provide a new HVAC control system, and replace the main electrical switchgear. Bids were received April 8, 2010. Construction began May 2010, and is expected to be substantially complete in October 2010. This project was originally scheduled to begin in FY 2011, but has been moved to FY 2010.
9. Heckert-Wells Hall – This project will provide for the repair and replacement of all domestic water piping, and gas valve replacement in the labs. The design team has been hired and is working on the schematic design. This project was originally scheduled to begin in FY 2010, but has been moved to FY 2011.
10. Weede Facility – This project has been moved to be funded out of the R & R allocation for FY 2011. We have replaced it with the Hughes Hall projects to use university interest as well as ARRA dollars.

*The University of Kansas*

1. Utility Tunnel Improvements - Phase 2 Tunnel construction – The project was awarded to Kissick Construction. The University received a tax credit donation towards the tunnel improvements. The project is complete.
2. Wescoe Hall Improvements:

- a. Phase One is the replacement of the failed first-floor concrete slab and reconstruction of that area. Included in Phase One is deferred maintenance work, which includes the replacement of the HVAC system on the first floor. Construction started January 15, 2008, and completed in August 2008.
  - b. Phase Two is the replacement of outdated and failing HVAC equipment and ductwork on the 2nd and 3rd floors. The construction management firm of Ferrell Construction of Topeka was selected, and sub-contract bids were taken for all phases of work. Phase Two construction began on the 3rd floor in June 2008, and was completed in December 2008. Construction work began on the 2nd floor in January 2009, and was completed on May 29, 2009. The fire sprinkler and fire alarm replacement work on the 4th floor classrooms, offices, and lecture halls started May 18, 2009, and completed July 31, 2009. The project is complete.
3. Haworth Hall Improvements - Purchase and design of the fume hoods is complete. Installation of the fume hoods started March 2008, and has been completed. The ESCO investment grade audit was completed on January 12, 2009. The proposed ESCO work has been thoroughly reviewed for necessary adjustments of the scope for the HVAC project, to better coordinate energy efficiency improvements with the deferred maintenance replacement of HVAC systems. The University finalized the contracts with Energy Solutions Professionals (ESP) to include this work within the energy performance contract. ESP has submitted shop drawings and ordered materials. Construction is underway, and all air handling units have been replaced, and controls and final commissioning of the equipment remain to be done. Work is starting on the ganged lab exhaust system, which will replace many dedicated exhaust fans with a central system and is scheduled to be complete by December 2010.
4. Energy Conservation Improvements – Energy Solutions Professionals (ESP), the selected consultant, completed an investment grade audit of Haworth Hall, Malott Hall, other buildings identified in the Five-Year Deferred Maintenance Program, and of other campus facilities. ESP completed mechanical systems test and balance data gathering in Malott in late November 2008. Additionally, ESP completed data logging of laboratory space occupancies for use in its final audit reporting. The initial investment grade audit for FYs 2008 and 2009 deferred maintenance projects was completed on January 12, 2009, and the University has completed its review of the audit. The University finalized the contracts with ESP to include this work within the energy performance contract. ESP has submitted shop drawings and ordered materials. Water efficiency improvements are 95% complete, lighting improvements are 75% complete, and the energy conservation improvements project is approximately 45% complete. Full completion is scheduled for August 2011.
5. Malott Hall Improvements – Purchase and design of the fume hoods is complete. Installations of the fume hoods started in September 2008, and all hoods have been installed. The ESCO investment grade audit was completed on January 12, 2009. The proposed ESCO work has been thoroughly reviewed for necessary adjustments of the scope for the HVAC project, to better coordinate energy efficiency improvements with the deferred maintenance replacement of HVAC systems. The University finalized the contracts with Energy

Solutions Professionals (ESP) to include this work within the energy performance contract. ESP has submitted shop drawings and ordered materials. Construction is underway, and all air handling units have been replaced. Controls and final commissioning of the equipment remain to be done. Work is starting on the ganged lab exhaust system, which will replace many dedicated exhaust fans with a central system, scheduled to be complete by May 2011.

6. Murphy Hall Electrical Improvements – Advertisements for design services were released, and Professional Engineering Consultants was selected to design the project. The scope of work will be coordinated with the FY 2010 Federal Stimulus funded HVAC improvements. Design started in February 2010, bids will be taken in November 2010, and construction will begin in December 2010. Construction is scheduled to complete by September 2011.
7. Lippincott Hall Improvements – Funding for this project has been reallocated to the annual R&R funds.
8. Bailey Hall Improvements – Funding for this project has been reallocated to the annual R&R funds.
9. Lindley Hall Improvements – FY 2010 reallocation. The project includes HVAC/mechanical and foundation improvements. The HVAC equipment will be replaced, electrical system improvements will be made, windows will be replaced, and the north foundation wall will be repaired and waterproofed. Design for the foundation repairs and window replacement is currently underway.

#### The University of Kansas Medical Center

1. Electrical Infrastructure, Wichita campus – The project is complete. Final payment was issued in June 2010.
2. Emergency Repairs to Building 37 Vivarium – The project is complete.
3. Applegate Energy Center & Utility Distribution Systems – The scope of this project replaced and renovated major utility equipment and systems in phases. Turner Construction is the construction manager and has completed the FY 2008 – FY 2010 projects.

#### Wichita State University

Wichita State University has now completed deferred maintenance projects involving campus infrastructure, and many items that needed to be addressed in the Visual Communications Building, Wallace Hall, Ahlberg Hall, McKnight Art Center, Central Energy Plant, Lindquist Hall, Jardine Hall, Heskett Center and the National Institute for Aviation Research. Three (3) major projects remain to be completed that involve the replacement of the HVAC systems in Duerksen Fine Arts Center, the Engineering Building, and Grace Wilkie Hall. The status of these major projects is as follows:

1. Duerksen Fine Arts Center – The engineering consultants have completed the preparation of construction documents for replacement of the building’s HVAC systems. The project will be implemented in three separate phases as sufficient funds accrue for each phase, and as the building occupants can be temporarily relocated to other facilities. Federal Stimulus dollars from the American Recovery and Reinvestment Act / State Fiscal Stabilization Funds for FY 2009, FY 2010, and FY 2011 are being used to implement Phase I and Phase II. It is estimated that Phase I will be completed in May 2011. A construction contract has just been awarded for Phase II, which is targeted to be completed in November 2011. Replacement of the building’s store-front and entrances is complete, upgrades to the building’s electrical services, and demolition of obsolete boilers and the associated asbestos abatement have all been completed.
2. Engineering Building – Engineering consultants completed the preparation of construction documents for replacement of the building’s HVAC system, and bids were received on October 15, 2009. A construction contract was awarded on October 28, 2009, and the project was substantially completed in August 2010, allowing the College of Engineering to move back into the building for the beginning of the Fall 2010 semester.
3. Grace Wilkie Hall – Engineering consultants selected to do engineering, plans, specifications, and construction administration for replacement of the building’s HVAC system are nearing completion of construction documents. Bidding the project will be postponed until funds accrue to a sufficient amount to be able to award a construction contract and alternative space can be freed up to which some of the building occupants can be relocated.
4. Visual Communications Building – The project for upgrade of the building’s electrical services is complete.
5. Wallace Hall – The project for upgrade of the building’s electrical service is complete. The project for modernization of the elevator is complete.
6. Ahlberg Hall – The project for upgrade to the building’s electrical service is complete. The project for modernization of the elevator is complete.
7. McKnight Art Center – The project for upgrading building controls is complete. The project for modernization of the elevator is complete.
8. Central Energy Plant – The motor control center replacement project is complete.
9. Lindquist Hall – The project for modernization of the elevator is complete.
10. Jardine Hall – The project for modernization of the elevator is complete.
11. Campus Infrastructure –The project for water line improvements and expanded fire hydrant coverage is complete. The project for waterproofing a portion of a utility tunnel is complete.

12. Heskett Center – The project for building controls is complete.

13. National Institute for Aviation Research (NIAR) –The project for building controls is complete.

### **PEI Infrastructure Bonds**

In addition to direct state funds and university interest earnings, another important funding component of the State Educational Institution Long-Term Infrastructure Maintenance Program (IMP) is the subsidized loan program made possible through the issuance of Post-Educational Institution (PEI) Infrastructure Maintenance Program Bonds.

As you will recall, the 2007 Legislature authorized \$100 million in bonds, \$20.0 million to be issued each fiscal year, beginning in FY 2008, to be requested by the Board of Regents from the Kansas Development Finance Authority (KDFA) for deferred maintenance projects at Washburn University, the 19 community colleges, and the five technical colleges. The principal and interest for the bonds will be paid from the State General Fund, and the participating institutions will reimburse the State General Fund for the principal portion of the payments each year. Each series of bonds will be issued with an 8-year amortization period. There is a cap of \$15.0 million of bond proceeds per institution over the five-year period of the program. Debt service payments on the bonds were authorized to begin after July 1, 2008, and the first debt service payment on the initial series of bonds issued for the program was paid on March 1, 2009.

The Board is authorized to enter into loan agreements with the eligible institutions to provide for payment of principal on the bonds. When approving applications for financing under the program, the Board must take into consideration both the need for the project and the financial ability of the institution to meet its obligation if the application is approved. The capacity to repay the bonds is also required to be further reviewed by KDFA. The Board is mandated to provide an annual report to the Legislature disclosing the aggregate amount of bonds issued, the amount of bonds issued for each postsecondary educational institution (PEI), and an overview of the projects financed by such bonds.

Projects eligible for financing are defined in the legislation: “Project” or “infrastructure project” means the maintenance, repair, reconstruction, remodeling or rehabilitation of a building located at a postsecondary educational institution, any additions to a building, any utility system and other infrastructure relating to such building, any life-safety upgrades to such building, any improvements necessary to be made to such building in order to comply with the requirements of the Americans with Disabilities Act or other federal or state law. The law excludes from the definition of an eligible project all new construction; the maintenance, repair, reconstruction or rehabilitation of any building used as an athletic facility that does not directly support the delivery of academic pursuits; and the maintenance, repair, reconstruction or rehabilitation of the residence of the president or chief executive officer of a postsecondary educational institution.

### **The Series 2008A Bonds**

As previously reported to you, the first PEI Infrastructure Maintenance bonds were issued by the Kansas Development Finance Authority (KDFFA) in the principal amount of \$20,000,000 on March 26, 2008, and bond proceeds were deposited in the State Treasury. Bond covenants mandate expenditures equal to at least 30% of bond proceeds at March 15, 2009, and equal to at least 95% by March 15, 2011.

The 13 participating institutions are required to pay loan payments to the Board on or before December 1 of each year, so that the principal payments on the bonds will be deposited in the State Treasury prior to the subsequent year's March 1 principal payment date. The first principal payment of \$2.5 million on the 2008A Bonds was paid on March 1, 2009, using the loan payments received from the participants, as mandated. The \$2.5 million of principal paid on March 1, 2010, was also collected from the participants.

The following table lists the names of 13 participating institutions, the number of projects authorized by the Board and KDFFA for each participant, the total amounts of loans from bond proceeds that were authorized for each institution, and the total amount of bond proceeds spent by and loaned to each institution at September 30, 2010. These expenditures of \$18,063,088.35 represent 90% of total 2008A Bond proceeds.

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**2008A Bond Proceeds - Distribution and Expenditures through September 30, 2010**

<b><u>Name of Participating Institution</u></b>	<b><u>Number of Authorized Projects</u></b>	<b><u>Total Amended Authorized* Loan Amount</u></b>	<b><u>Total Expended at September 30, 2010</u></b>
Barton County Community College	1	\$1,300,000.00	\$ 1,300,000.00
Butler County Community College	9	2,222,707.00	2,140,793.62
Coffeyville Community College	4	899,460.00	891,749.78
Dodge City Community College*	2	839,814.35	839,814.35
Highland Community College	4	970,000.00	735,847.88
Hutchinson Community College	2	3,979,270.00	3,979,270.00
Kansas City Kansas Community College*	3	2,535,185.65	2,349,369.96
Labette County Community College	3	1,213,900.00	1,207,935.14
Manhattan Area Technical College	3	412,500.00	298,786.67
Northwest Kansas Technical College	4	338,280.00	338,280.00
Pratt Community College	5	623,883.00	189,172.00
Seward County Community College	6	1,260,000.00	1,148,443.83
Washburn University	<u>2</u>	<u>3,405,000.00</u>	<u>2,643,625.12</u>
<b>TOTALS</b>	<b><u>48</u></b>	<b><u>\$20,000,000.00</u></b>	<b><u>\$18,063,088.35</u></b>

*\*Note: Dodge City Community College has transferred \$10,185.65 of its originally authorized loan to Kansas City Kansas Community College through amendments to both loan agreements. The amounts in the "Total Authorized Loan Amount" column reflect this reallocation.*

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### The Series 2009C Bonds

For the second year of the PEI Infrastructure Maintenance Program (FY 2009), applications from 12 of the 25 eligible institutions were approved by the Board on February 12, 2009. The Series 2009C Bonds, in the amount of \$20 million, were issued by K DFA on March 31, 2009. Bond covenants mandate expenditures equal to at least 30% of bond proceeds at March 15, 2010, and equal to at least 95% by March 15, 2012. The following table lists the twelve participating institutions, the number of authorized projects and loan amounts for each institution, and the amount of bond proceeds disbursed to each participant by September 30, 2010. At that date, \$14,491,886.56, or 72% of the Series 2009C bond proceeds had been disbursed.

#### ***2009C Bond Proceeds - Distribution and Expenditures through September 30, 2010***

<b><u>Name of Participating Institution</u></b>	<b><u># of Authorized Projects</u></b>	<b><u>Total Authorized Loan Amount</u></b>	<b><u>Total Expended at September 30, 2010</u></b>
Butler County Community College	16	\$ 1,451,923.00	\$ 1,152,759.02
Cloud County Community College	6	981,104.00	844,964.26
Dodge City Community College	6	276,841.00	249,791.47
Garden City Community College	1	2,216,645.00	1,592,370.45
Highland Community College	5	241,100.00	121,677.22
Hutchinson Community College	2	4,178,520.00	3,841,583.21
Independence Community College	1	1,500,000.00	1,452,382.64
Johnson County Community College	3	5,293,382.00	2,898,549.13
Kansas City Kansas Community College	3	2,058,224.00	1,752,910.62
Northwest Kansas Technical College	5	98,261.00	80,615.27
Pratt Community College	4	460,000.00	-0-
Seward County Community College	8	1,244,000.00	504,283.27
<b>TOTALS</b>	<b><u>60</u></b>	<b><u>\$ 20,000,000.00</u></b>	<b><u>\$14,491,886.56</u></b>

The first payment of principal on the 2009C Bonds was paid on March 1, 2010. The \$2.5 million of principal due on the 2009C Bonds on March 1, 2010, was collected from the participants.

The interest payment portion of the FY 2009 debt service payment for the Series 2008A Bonds was \$680,468.75, paid from the State General Fund (SGF). In FY 2010, the SGF's interest payment portion of the debt service payments for both the 2008A bonds and the 2009C bonds was \$1,318,135.07.

The Legislature did not authorize the issuance of bonds in fiscal year 2010 for the originally planned third year of the program.

### **The Tax Credits Program**

In addition to combined direct state funds and university interest earnings and the subsidized loan program made possible with the issuance of the PEI bonds, the final funding component of the State Educational Institution Long-Term Infrastructure Maintenance Program (IMP) is the Tax Credits Program.

In 2007, tax credit provisions authorized by the Legislature established a new tax credit based on a percentage of a taxpayer's contribution made on or after July 1, 2008, to a community college for capital improvements (60% of the contribution), to a technical college for deferred maintenance or purchases of technology or equipment (60% of the contribution), or to a university for deferred maintenance (50% of the contribution). The credit, effective for tax years 2008 through 2012, is applicable to corporate and individual income tax, insurance premiums tax, and financial institutions privilege tax. The credits are scheduled to sunset after tax year 2012. The credit on a contribution to a community or technical college is refundable, if it is in excess of income tax liability. The university credits are non-refundable, but can be carried forward for up to three years. All credits originally claimed by not-for-profit entities are transferable to other taxpayers. The Kansas Department of Revenue (KDOR) has developed and implemented for all institutions a tax credits process designed to assure that qualifying contributions qualify for Federal as well as State income tax deductions.

As part of the fiscal year 2010 State budget approved by the Kansas Legislature on May 9, 2009, these tax credits were reduced by 10% in both the 2009 and the 2010 tax years. For a taxpayer donating \$1,000 to an eligible community college, prior to the cuts, that taxpayer would have received a 60% credit of \$600. Now, the taxpayer will receive 90% of the 60% credit, or \$540. The contribution of \$1,000 generates 10% less tax credit to the taxpayer. This reduced credit is reflected only on the taxpayer's income tax return. It should be noted that the reduction was not extended to calendar year 2011 during the 2010 legislative session.

The table below shows the 2007 projected amounts of contributions for each sector of postsecondary education by fiscal year, assuming contributions were received to fully use the available tax credits. Also shown are the previously projected, related impacts on the State General Fund.

*Note: All amounts are expressed in millions of dollars*

<b>Fiscal Year</b>	<b>Total Projected Contributions</b>	<b>Projected Contributions to State Universities and to Washburn University</b>	<b>Impact to the State General Fund from Projected Contributions to State Universities and Washburn</b>	<b>Projected Contributions to Community &amp; Technical Colleges</b>	<b>Impact to the State General Fund from Projected Contributions to Community &amp; Technical Colleges</b>
2009	\$ 14.375	\$ 11.250	\$ (7.500)	\$ 3.125	\$ (5.625)
2010	27.750	22.500	(15.000)	6.250	(11.250)
2011	38.333	30.000	(20.000)	8.333	(15.000)
2012	38.333	30.000	(20.000)	8.333	(15.000)
2013	38.333	30.000	(20.000)	8.333	(15.000)
<b>Totals</b>	<u>\$158.125</u>	<u>\$123.750</u>	<u>\$(82.500)</u>	<u>\$34.375</u>	<u>\$(61.875)</u>

The allotment of the tax credits in the legislation is handled differently for Washburn and the state universities than for the community and technical colleges. The legislation specifies that for tax year 2008, each community and technical college is allotted \$78,125 in tax credits. For tax year 2009, this amount increased to \$156,250, and for each of tax years 2010 through 2012, further increases to \$208,233. Assuming that all tax credits are used, each of the 24 institutions will generate private contributions for projects of \$130,308 in tax year 2008, \$260,416 in tax year 2009, and \$347,208 for each of tax years 2010 through 2012.

For the state universities and Washburn University, a total of \$5,625,000 in tax credits was divided among the seven institutions for tax year 2008. This total amount increased to \$11,250,000 for tax year 2009, and further increases to \$15,000,000 for each of tax years 2010 through 2012. The legislation stipulates that the Board of Regents, in consultation with the Secretary of Revenue and university foundation or endowment associations for each institution, will make the allotment of tax credits in advance of any credit issuance each year, with not more than 40% of the total credits being allotted to any one institution, unless all institutions are in agreement to waive that cap.

As previously reported to you, to prepare for the effective date of the program, the Department of Revenue has implemented regulations, and the universities have agreed to focus tax credit efforts on projects identified in the \$200 million list approved in February 2007.

The Board of Regents approved the tax credit allocations listed in the following table for calendar years 2008, 2009, and 2010:

<b><u>University Name</u></b>	<b>2008 Allocation Amount</b>	<b>2009 Allocation Amount</b>	<b>2010 Allocation Amount</b>
University of Kansas	\$1,540,566	\$ 3,081,133	\$4,108,177
University of Kansas – Medical Center	588,471	1,176,941	1,569,255

Kansas State University	1,624,381	3,248,761	4,331,681
Wichita State University	553,879	1,107,758	1,477,011
Emporia State University	324,481	648,961	865,281
Pittsburg State University	370,910	741,820	989,093
Fort Hays State University	371,220	742,441	989,922
Washburn University	<u>251,092</u>	<u>502,185</u>	<u>669,580</u>
<b>TOTALS</b>	<b><u>\$5,625,000</u></b>	<b><u>\$11,250,000</u></b>	<b><u>\$15,000,000</u></b>

The table below summarizes the actual, total contributions and corresponding tax credits issued for calendar years 2008 and 2009, as reported to KBOR by the universities and confirmed with the Kansas Department of Revenue's reports to KBOR as of January 19, 2010:

<b>University Name</b>	<b>Calendar Year 2008</b>		<b>Calendar Year 2009</b>	
	<b>Total Donations Received</b>	<b>Total Tax Credits Issued</b>	<b>Total Donations Received</b>	<b>Total Tax Credits Issued</b>
University of Kansas	\$ 55,550	\$ 27,775	\$153,700	\$ 76,850
University of Kansas – Medical Center	15,400	7,700	25,895	12,948
Kansas State University	2,000	1,000	3,000	1,500
Wichita State University	85,000	42,500	70,000	35,000
Emporia State University	-0-	-0-	-0-	-0-
Pittsburg State University	15,000	7,500	18,598	9,299
Fort Hays State University	689,270	344,635	136,017	68,009
Washburn University	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTALS</b>	<b><u>\$ 862,220</u></b>	<b><u>\$ 431,110</u></b>	<b><u>\$ 407,210</u></b>	<b><u>\$ 203,606</u></b>

Obviously, the actual donations and allocated tax credits were substantially less than anticipated for both calendar year 2008 (about \$4.7 million less) and calendar year 2009 (about \$10.8 million less).

According to reports from the Kansas Department of Revenue, for the calendar year ended December 31, 2009, the technical colleges received \$89,900 in total contributions and awarded \$53,940 in tax credits. The State's community colleges reported receiving contributions totaling \$1,510,766, resulting in the award of \$906,459 of tax credits in the 2009 calendar year.

Following the close of calendar year 2010, the Kansas Department of Revenue will make available to KBOR the amounts of tax credit-eligible contributions and tax credits awarded for the universities and the coordinated institutions. KBOR will report those numbers to you as soon as they are available.

A final consideration for the Committee - at its June meeting, the Board of Regents received an inquiry about the possibility of using the availability of K.S.A. 2009 Supp. 79-32,261 tax credits to entice donors to contribute to renovation projects such as the Memorial Student Union at Emporia State University and the Rhatigan Student Center at Wichita State University. The issue raised was whether the legislation that authorized tax credits for certain contributions to

state universities was intended to exclude projects involving buildings that are not entirely for classroom or other primarily academic use.

Following a preliminary review of the statute and consultation with the Department of Revenue, there appears to be nothing that would preclude a taxpayer from seeking and obtaining a tax credit for contributions to a deferred maintenance project on a student union or recreation facility. Subsection (a) of K.S.A. 2009 Supp. 79-32,261 provides that any taxpayer who contributes to a “postsecondary educational institution located in Kansas for deferred maintenance” shall be allowed a tax credit. The term “postsecondary educational institution” is defined in paragraph (d)(3) as the six state universities, and the term “deferred maintenance” is defined as any maintenance, repair, reconstruction or rehabilitation of a building located at a postsecondary educational institution which has been deferred. Nothing can be found in this statute that further limits the type of project for which the tax credits may be allowed.

However, the Board is sensitive to the fact that there was legislative discussion surrounding the long-term infrastructure maintenance program, and indeed statutory provisions were enacted for that program, to prohibit use of the funds generated under those provisions (K.S.A. 2009 Supp. 76-7,101 et seq.) for maintenance and repair of “any building used as an athletic facility that does not directly support the delivery of academic pursuits” or “the residence of the president or chancellor of a state educational institution.” *See also*, K.S.A. 2009 Supp. 76-7,117 (applicable to Washburn University, the community colleges and technical colleges). During the 2007 legislative session, the Board developed a “mission critical” list of campus deferred maintenance projects. Ancillary buildings such as student unions, athletic facilities, etc. were not included in that list. Not wanting to promote or approve use of the tax credits in a way that might seem inconsistent with legislative intent, we thought it best to take the issue to the Joint Building Committee for discussion and consideration.

When we contacted Senator Umbarger about placing this matter on the Building Committee’s November agenda, he asked that we first contact the Revisor of Statutes office, to assist him in determining whether the issue warrants further examination.

The Revisor’s office has reviewed the K.S.A. 2009 Supp. 79-32,261 and concurs that it does not contain any limitation on the type of building which may be considered for the tax credit. Although statutes do not place severe limits on the building types and spaces, it is the Board’s intent, if the Building Committee concurs, to approve the ESU and WSU requests for tax credits for deferred maintenance work in portions of the buildings used primarily for academic or academic support purposes.

Thank you for your attention. I would be pleased to respond to questions at this time.



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## Joint Committee on State Building Construction

**Eric King, Director of Facilities**  
**August 2010**

Good afternoon, Chairman Umbarger and members of the Committee. Thank you for this opportunity to appear before your committee to provide you with a quarterly report on the State Educational Institution Long-Term Infrastructure Maintenance Program, per requirements mandated by K.S.A. 76-7,103 *et seq.*

As you know, in 2007, the Legislature enacted legislation creating the Postsecondary Educational Institution (PEI) Long-Term Infrastructure Maintenance Program (IMP), as well as several important financing components that will be implemented over the five-year period that began in 2008. These components included:

- I. Direct state funds of \$90 million and approximately \$44 million in interest earnings from university funds to begin to address the then-documented \$663 million backlog of deferred maintenance projects at the state universities;
- II. Interest-free bonding authority up to \$100 million available to Washburn University, the 19 community colleges, and the five technical colleges to be used for infrastructure improvement projects; and
- III. Allowance of state-funded tax credits intended to generate up to \$158 million in private contributions to the state's six universities, Washburn University, the 19 community colleges, and the five technical colleges.

This report covers the fourth quarter of fiscal year (FY) 2010, ended June 30, 2010. At the end of this period, the state universities had total, actual, project-to-date expenditures of \$59,747,359, which includes direct state funds of \$48,932,872, university interest earnings of \$10,086,067, and tax credit donation expenditures of \$728,420. The expenditures include those made in FY 2008 and FY 2009, as well as the monies spent in FY 2010.

### **I. Direct State Funds, University Interest Earnings, and Tax Credit Donations**

The following is an abbreviated narrative update on the progress the state universities have made on their authorized, deferred maintenance projects. Information about each university's current quarter and project-to-date expenditures can be found in the spreadsheets attached for your review. If additional detail about these expenditures is needed, please let me know.

#### Emporia State University

1. Physical Education Building Roof Replacement – This project is complete, and allocated funds were expended.
2. William Allen White (WAW) Library HVAC Repairs/Replacement - The base contract has been completed, and the certificate of occupancy has been issued. The final change order

for the replacement of an existing rooftop air conditioning and condensing unit was approved (\$76,720.00) and has been installed. Final payment will be made in the next few weeks. This will complete the project, expending the remaining FY 2008 and FY 2009 Funds. The remaining funds will be transferred to start other deferred maintenance projects indicated in FY 2011 and FY 2012.

3. WAW Library Electrical Repairs/Replacement - The base contract has been completed, and the certificate of occupancy has been issued. The final change order for the replacement of an existing rooftop air conditioning, condensing unit has been approved (\$76,720.00) and has been installed. Final payment will be made in the next few weeks. This will complete the project, expending the remaining FY 2008 and FY 2009 Funds. The remaining funds will be transferred to start other deferred maintenance projects indicated in FY 2011 and FY 2012.
4. WAW Partition Repairs/Replacement – The HVAC & Electrical Repairs/Replacement project bids were considerably under the estimates for this project and repairs/replacement of partitions related to these projects were included in those budgets. The remaining funds will be transferred to start other deferred maintenance projects indicated in FY 2011 and FY 2012.
5. Utility Tunnels Repairs - Work has been completed with this phase of the project, with valve replacements, asbestos abatement, and re-insulation. Additional tunnel work will be started upon the completion of the asbestos and re-insulation work. A study has been completed to verify the location, condition and types of valves for the campus main water supply lines in the tunnel system. The final phase of construction and funding will start in FY 2012. Remaining funds, if any, from other projects will be reallocated to this project to allow the start of the replacement of the campus main water supply lines at an earlier date.
6. Roosevelt Hall Foundation Stabilization - Construction has been completed for the underground work. The above ground work (installing expansion joints in the masonry walls and lining the crawl spaces) will be completed with on-call construction services during FY 2010.
7. Roosevelt Hall HVAC Replacement – Replacement of existing roof top units has been completed. The final phase of construction to replace the supply and return air systems began this fiscal year. Preliminary and final planning has been completed. The bids were received April 20, 2010, and the apparent low bidder is Modern Air Conditioning of Emporia, Kansas, at \$157,200. Work will start in May 2010, to minimize classroom disruption, and will be completed by August 2010.
8. Roosevelt Hall Plumbing Replacement – Specifications are being prepared for the repairs and/or replacement of the hot/cold water main supply lines. The repairs to the main sewer line from the building to the City sewer main have been completed. Planning work has been completed. The final phase of construction and funding begins this fiscal year during appropriate academic down times (Christmas Break, Spring Break and Summer Break).
9. Elevator repair projects for White Library, Cremer Hall, and King Hall have been completed. The remaining funds will be transferred to start other deferred maintenance projects indicated in FY 2011 and FY 2012.

### Fort Hays State University

1. Picken Hall Improvements – This project is 99% complete. Owner move-in occurred during the month of June 2010, and remaining change order work is nearly complete.
2. Utility Tunnel Replacement from Center of Quad to Rarick Hall – This project is complete.
3. Service Buildings Masonry Cleaning and Sealing – This project is complete.
4. Sheridan Hall Re-Roofing – This project is complete.
5. Felten-Start Theatre Seating Replacement – This project is complete.
6. Repaint Cunningham Hall Gyms 100,101,120 & 121 – This project is complete.
7. Campus Exterior Graphics – Phase II – Material bids are now complete. Installation is 98% complete.
8. Campus Electrical Improvements – Phase I design documents are in final review. A late August 2010 bid date is anticipated. The paralleling switchgear and 1360KW generator components previously were bid and awarded.
9. Street Improvements – This project will replace one block of street pavement along Park Street/South Campus Drive. This project is under construction, and is expected to be complete during August 2010.

### Kansas State University

1. Utilities Infrastructure and Power Plant Improvements:
  - a. Replacement of campus steam line – Federal Stimulus Funds will now pay for the work. The project engineer is Smith and Boucher. The project is under construction.
  - b. Boiler replacement in the Power Plant – The work is complete. The project engineer is Bucher Willis Ratliff, and the contractor is Knopke Co., LLC of Kansas City.
  - c. Repair and replace antiquated 4160 volt electrical system - Project construction is 95% complete. The construction of the National Bio-Ag Facility (NBAF) has added to the project's overall size and cost. The revised completion date is August 15, 2010. The engineer is Morrow Engineering, and the contractor is Torguson Electrical Co.
2. Renovate Academic and Academic Support Space in Old Memorial Stadium – The master plan for West Memorial Stadium is finalized. Costs are identified. A schedule of design and construction is developed. Bid documents are on hold pending availability of budget. The project's on-call architect is Ken Ebert Design Group. The on-call engineer is Orazem & Scalora Engineering of Manhattan, Kansas.
3. Leisure Hall Renovation
  - a. The elevator was completed in January 2009.

- b. A general use classroom (Room 010) is being renovated, and a maintenance shop is being converted into a technology general use classroom. The design and construction were done in house, and the project is 99% complete.
  - c. The exterior doors and stairs were replaced to conform to ADA and life safety standards. The design was done in house, and construction was done by an on-call contractor. The project is complete.
4. Willard Hall:
- a. Repair and replacement of exterior stone walls is complete. The stones were cleaned and tuck-pointed where possible, and waterproofing of the entrances is complete. The contractor was Restoration and Waterproofing, Inc., and the architect for the project was Bruce McMillian Architects.
  - b. Construction is complete for the below-grade waterproofing. The contractor was Ron Fowles Construction, and the engineering was done in-house.
  - c. The medium-voltage electrical project is complete. Brack & Associates was the engineer, and the contractor was Coal Creek Construction.
  - d. The broken coolers have been removed. The basement walls have been demolished to begin the repair and replacement project, and asbestos abatement is complete.
  - e. Life safety and ADA improvements construction is complete. The firm of Treanor Architects is the on-call project architect, and the contractor is The Wilson Group.
  - f. Basement improvements project construction is complete. Treanor Architects is the on-call architect, and the contractor is Cheney Construction Company.
  - g. Willard north basement improvement is complete. Treanor Architects is the on-call architect, and the contractor is Cheney Construction Company.
  - h. The KSU Facilities shops and private contractors are converting all basement space from labs into art studios, and the work is 85% complete.
  - i. The fire alarm system for the building was bid and contract work was awarded to Cheney Construction. The project is 70% complete, with a projected completion date of August 15, 2010.
  - j. Forty percent of the basement windows have been replaced, and a bid package is being prepared for the remaining windows in the building. The revised date of completion is February 1, 2011.
  - k. The reroofing project is in the planning stage. Ebert Mayo Design Group is the architect of record. The lower roof has been replaced by Danker Roofing. Willard's upper roof is in design by Ebert/Mayo Design Groups. The roofing projects will start in 2011, and the building may be scaffolded for the work.

5. Seaton Court:

- a. The Seaton Court roof project construction is 100% complete, but the project still has an outstanding punch list and warranty items to be addressed. The on-call architect is Anderson Knight of Manhattan, Kansas, and the contractor is Ron Fowles.
- b. The flat roof of the connecting structure between Seaton Court and Seaton Hall was evaluated. The project has been divided, due to the fact that two different roofing systems are involved, each with its own problems and solutions.
  - i. Flat roof - The on-call consultants BG Engineering completed the plans, and the project was bid. Ron Fowles Construction was the successful low bidder. The project is under construction and is 50% complete.
  - ii. Gable roof - The cracked and broken rafters cannot be repaired, and there is a large amount of asbestos-containing materials surrounding them. In-house plans and specifications for an umbrella roof to be built over the existing roof are 50% complete. BG Engineering has been retained to do the structural plans. Architectural plans are being done in house. Construction is scheduled to be completed in Fall 2010.
- c. A fire sprinkler system to be installed in the Seaton link, Seaton Court shops area, and Seaton Court is in the planning phase.

6. Roofs and Other Projects:

- a. The Calvin Hall re-roofing project was completed in Winter 2008.
- b. The Justin Hall 109 general use classroom renovation was completed in Fall 2008.
- c. The Kedzie Hall 017 classroom laboratory renovation was completed in Fall 2008.

Pittsburg State University

1. McCray Hall Renovation - The project is complete. Final payment was issued May 1, 2009.
2. Electrical Switchgear Replacements - The project is complete. Final payment was issued February 24, 2009.
3. Axe Library Masonry Restoration – The project is complete. Final payment was issued December 16, 2008.
4. Russ Hall Facade Restoration – The project is complete. Final payment was issued on January 8, 2009.
5. Steamline Replacement – The project is complete. Final payment was issued October 6, 2009.
6. Porter Hall Renovation – The project was divided into two phases. Phase I is complete. Final payment was issued January 25, 2010. Phase II includes all interior work, including new HVAC system, electrical service upgrades, and new lights in studios. Phase II bid on January 28, 2010. Construction began in May 2010, with completion expected by Fall 2010. Currently, the new electrical switchgear has been installed, and piping for the new HVAC system is in progress.

7. Yates Hall Renovation – This project was split into three separate projects. The new windows project bid April 2, 2010, and the HVAC project bid April 18, 2010. The roofing project was moved, to be funded from the R&R allocation. All three projects will be completed during the summer of 2010. The new windows and HVAC system began construction in May 2010 and are in progress. These projects were originally scheduled to begin in FY 2011, but were moved to FY 2010.
8. Grubbs Hall Renovation – This project will provide for the repair of the first floor slab settlement, replace windows, replace louvered corridor interior doors, provide a new HVAC control system, and replace the main electrical switchgear. Bids were received April 8, 2010. Construction began May 2010, and is scheduled to be completed in August 2010. Currently, the new slab is in place, and the new interior doors are being hung. The new electrical switchgear is set. This project was originally scheduled to begin in FY 2011, but has been moved to FY 2010.
9. Heckert-Wells Hall – This project will provide for the repair and replacement of HVAC equipment, new domestic water piping, and gas valve replacement in the labs. This project was originally scheduled to begin in FY 2010, but has been moved to FY 2011.
10. Weede Facility – This project will provide foundation and settlement repairs, new roof, new exterior metal wall panels, and partial new HVAC system. This project was originally scheduled to begin in FY 2010, but has been moved to FY 2012.

### The University of Kansas

1. Utility Tunnel Improvements - Phase 2 Tunnel construction – The project was awarded to Kissick Construction. The University received a tax credit donation towards the tunnel improvements. The project is complete.
2. Wescoe Hall Improvements:
  - a. Phase One is the replacement of the failed first-floor concrete slab and reconstruction of that area. Included in Phase One is deferred maintenance work, which includes the replacement of the HVAC system on the first floor. Construction started January 15, 2008, and completed in August 2008.
  - b. Phase Two is the replacement of outdated and failing HVAC equipment and ductwork on the 2nd and 3rd floors. The construction management firm of Ferrell Construction of Topeka was selected, and sub-contract bids were taken for all phases of work. Phase Two construction began on the 3rd floor in June 2008, and was completed in December 2008. Construction work began on the 2nd floor in January 2009, and was completed on May 29, 2009. The fire sprinkler and fire alarm replacement work on the 4th floor classrooms, offices, and lecture halls started May 18, 2009, and completed July 31, 2009. The project is complete.
3. Haworth Hall Improvements - Purchase and design of the fume hoods is complete. Installation of the fume hoods started March 2008, and has been completed. The ESCO investment grade audit was completed on January 12, 2009. The proposed ESCO work has been thoroughly reviewed for necessary adjustments of the scope for the HVAC project, to better coordinate energy efficiency improvements with the deferred maintenance replacement of HVAC systems. The University finalized the contracts with Energy Solutions

Professionals (ESP) to include this work within the energy performance contract. ESP has submitted shop drawings and ordered materials. Construction is underway, with most air handling units having been replaced. Work is starting on the ganged lab exhaust system, which will replace many dedicated exhaust fans with a central system.

4. Energy Conservation Improvements – Energy Solutions Professionals (ESP), the selected consultant, completed an investment grade audit of Haworth Hall, Malott Hall, other buildings identified in the Five-Year Deferred Maintenance Program, and of other campus facilities. ESP completed mechanical systems test and balance data gathering in Malott in late November 2008. Additionally, ESP completed data logging of laboratory space occupancies for use in its final audit reporting. The initial investment grade audit for FYs 2008 and 2009 deferred maintenance projects was completed on January 12, 2009, and the University has completed its review of the audit. The University finalized the contracts with ESP to include this work within the energy performance contract. ESP has submitted shop drawings and ordered materials. Construction is underway with lighting and plumbing fixture replacements in various buildings.
5. Malott Hall Improvements – Purchase and design of the fume hoods is complete. Installations of the fume hoods started in September 2008, and all hoods have been installed. The ESCO investment grade audit was completed on January 12, 2009. The proposed ESCO work has been thoroughly reviewed for necessary adjustments of the scope for the HVAC project, to better coordinate energy efficiency improvements with the deferred maintenance replacement of HVAC systems. The University finalized the contracts with Energy Solutions Professionals (ESP) to include this work within the energy performance contract. ESP has submitted shop drawings and ordered materials. Construction is underway with most air handling units having been replaced. Work is starting on the ganged lab exhaust system, which will replace many dedicated exhaust fans with a central system.
6. Murphy Hall Electrical Improvements – Advertisements for design services were released, and Professional Engineering Consultants was selected to design the project. The scope of work will be coordinated with the FY 2010 Federal Stimulus funded HVAC improvements. Design started in February 2010, bids will be taken in August 2010, and construction should begin in late September 2010. Construction is scheduled to complete by August 2011.
7. Lippincott Hall Improvements – 2011 funds. The project includes HVAC, electrical, elevator and life safety improvements. The A/C equipment will be replaced by a chilled water central system, and the building electrical system will be updated. The plumbing system will be replaced.
8. Bailey Hall Improvements – 2011 funds. The project includes HVAC/mechanical, electrical and plumbing improvements. The A/C equipment will be replaced by a chilled water central system, and the building electrical system will be updated. The plumbing system will be replaced.
9. Lindley Hall Improvements – 2011 funds. The project includes HVAC/mechanical and foundation improvements. The A/C equipment will be replaced, and the north foundation wall will be repaired and waterproofed. Design for the foundation repairs is currently underway.

### The University of Kansas Medical Center

1. Electrical Infrastructure, Wichita campus – The project is complete. Final payment was issued in June 2010.
2. Emergency Repairs to Building 37 Vivarium – The project is complete.
3. Applegate Energy Center & Utility Distribution Systems - This project will replace and renovate major utility equipment and systems in phases over a five-year period, in accordance with annual funding allocations. The scope of work outlined in the Black & Veatch infrastructure study will include replacement of emergency generators, motor control centers and electrical distribution; replacement of chillers and associated equipment; boiler modifications and replacement; domestic and fire water distribution; and other associated systems and controls. Turner Construction is executing the FY 2010 projects, which include replacing and renovating the water pumping system, demolition of the old emergency generators, and renovation of the emergency and normal electrical distribution systems. Accomplishments this quarter include: 1) Turner Construction completed removal of the old generators; 2) the new fire pump room and pump installation was completed and separated from the domestic water service; and 3) the replacement of electrical switchgear serving chiller number one was completed. Project closeout documents are in process for the FY 2010 projects.

### Wichita State University

Wichita State University has now completed deferred maintenance projects involving campus infrastructure, and many items that needed to be addressed in the Visual Communications Building, Wallace Hall, Ahlberg Hall, McKnight Art Center, Central Energy Plant, Lindquist Hall, Jardine Hall, Heskett Center and the National Institute for Aviation Research. Three (3) major projects remain to be completed that involve the replacement of the HVAC systems in Duerksen Fine Arts Center, the Engineering Building, and Grace Wilkie Hall. The status of these major projects is as follows:

1. Duerksen Fine Arts Center – The engineering consultants have completed the preparation of construction documents for replacement of the building's HVAC systems. The project will be implemented in three separate phases as sufficient funds accrue for each phase, and as the building occupants can be temporarily relocated to other facilities. Federal Stimulus dollars from the American Recovery and Reinvestment Act / State Fiscal Stabilization Funds for FY 2009 and FY 2010 are being used to implement Phase I. Federal Stimulus dollars for FY2011 will be used to implement Phase 2. It is estimated that Phase I will be completed in May 2011, and Phase II construction will begin in the Fall 2010. Replacement of the building's store-front and entrances is complete, upgrades to the building's electrical services, and demolition of obsolete boilers and the associated asbestos abatement have all been completed.
2. Engineering Building – Engineering consultants completed the preparation of construction documents for replacement of the building's HVAC system, and bids were received on October 15, 2009. A construction contract was awarded on October 28, 2009, and the project is targeted for completion in August 2010.

3. Grace Wilkie Hall – Engineering consultants selected to do engineering, plans, specifications, and construction administration for replacement of the building’s HVAC system are nearing completion of construction documents. Bidding the project will be postponed until funds accrue to a sufficient amount to be able to award a construction contract and alternative space can be freed up to which some of the building occupants can be relocated.
4. Visual Communications Building – The project for upgrade of the building’s electrical services is complete.
5. Wallace Hall – The project for upgrade of the building’s electrical service is complete. The project for modernization of the elevator is complete.
6. Ahlberg Hall – The project for upgrade to the building’s electrical service is complete. The project for modernization of the elevator is complete.
7. McKnight Art Center – The project for upgrading building controls is complete. The project for modernization of the elevator is complete.
8. Central Energy Plant – The motor control center replacement project is complete.
9. Lindquist Hall – The project for modernization of the elevator is complete.
10. Jardine Hall – The project for modernization of the elevator is complete.
11. Campus Infrastructure –The project for water line improvements and expanded fire hydrant coverage is complete. The project for waterproofing a portion of a utility tunnel is complete.
12. Heskett Center – The project for building controls is complete.
13. National Institute for Aviation Research (NIAR) –The project for building controls is complete.

## **II. PEI Infrastructure Bonds**

In addition to direct state funds and university interest earnings, another important funding component of the State Educational Institution Long-Term Infrastructure Maintenance Program (IMP) is the subsidized loan program made possible through the issuance of Post-Educational Institution (PEI) Infrastructure Maintenance Program Bonds.

As you will recall, the 2007 Legislature authorized \$100 million in bonds, \$20.0 million to be issued each fiscal year, beginning in FY 2008, to be requested by the Board of Regents from the Kansas Development Finance Authority (KDFA) for deferred maintenance projects at Washburn University, the 19 community colleges, and the five technical colleges. The principal and interest for the bonds will be paid from the State General Fund, and the participating institutions will reimburse the State General Fund for the principal portion of the payments each year. Each series of bonds will be issued with an 8-year amortization period. There is a cap of \$15.0 million of bond proceeds per institution over the five-year period of the program. Debt service payments on the bonds were authorized to begin after July 1, 2008, and the first debt service payment on the initial series of bonds issued for the program was paid on March 1, 2009.

The Board is authorized to enter into loan agreements with the eligible institutions to provide for payment of principal on the bonds. When approving applications for financing under the program, the Board must take into consideration both the need for the project and the financial ability of the institution to meet its obligation if the application is approved. The capacity to repay the bonds is also required to be further reviewed by KDFA. The Board is mandated to provide an annual report to the Legislature disclosing the aggregate amount of bonds issued, the amount of bonds issued for each postsecondary educational institution (PEI), and an overview of the projects financed by such bonds.

Projects eligible for financing are defined in the legislation: "Project" or "infrastructure project" means the maintenance, repair, reconstruction, remodeling or rehabilitation of a building located at a postsecondary educational institution, any additions to a building, any utility system and other infrastructure relating to such building, any life-safety upgrades to such building, any improvements necessary to be made to such building in order to comply with the requirements of the Americans with Disabilities Act or other federal or state law. The law excludes from the definition of an eligible project all new construction; the maintenance, repair, reconstruction or rehabilitation of any building used as an athletic facility that does not directly support the delivery of academic pursuits; and the maintenance, repair, reconstruction or rehabilitation of the residence of the president or chief executive officer of a postsecondary educational institution.

### **The Series 2008A Bonds**

As previously reported to you, the first PEI Infrastructure Maintenance bonds were issued by the Kansas Development Finance Authority (KDFA) in the principal amount of \$20,000,000 on March 26, 2008, and bond proceeds were deposited in the State Treasury. Bond covenants mandate expenditures equal to at least 30% of bond proceeds at March 15, 2009, and equal to at least 95% by March 15, 2011.

The 13 participating institutions are required to pay loan payments to the Board on or before December 1 of each year, so that the principal payments on the bonds will be deposited in the State Treasury prior to the subsequent year's March 1 principal payment date. The first principal payment of \$2.5 million on the 2008A Bonds was paid on March 1, 2009, using the loan payments received from the participants, as mandated. The \$2.5 million of principal paid on March 1, 2010, was also collected from the participants.

The following table lists the names of 13 participating institutions, the number of projects authorized by the Board and KDFA for each participant, the total amounts of loans from bond proceeds that were authorized for each institution, and the total amount of bond proceeds spent by and loaned to each institution at June 30, 2010. These expenditures of \$17,806,006.49 represent 89% of total 2008A Bond proceeds.

**2008A Bond Proceeds - Distribution and Expenditures through June 30, 2010**

<b>Name of Participating Institution</b>	<b># of Authorized Projects</b>	<b>Total Authorized Loan Amount</b>	<b>Total Expended at June 30, 2010</b>
Barton County Community College	1	\$1,300,000.00	\$ 1,300,000.00
Butler County Community College	9	2,222,707.00	2,092,386.63
Coffeyville Community College	4	899,460.00	891,749.78
Dodge City Community College	2	850,000.00	839,814.35
Highland Community College	4	970,000.00	585,823.28
Hutchinson Community College	2	3,979,270.00	3,979,270.00
Kansas City Kansas Community College	3	2,525,000.00	2,349,369.96
Labette County Community College	3	1,213,900.00	1,207,935.14
Manhattan Area Technical College	3	412,500.00	298,786.67
Northwest Kansas Technical College	4	338,280.00	338,280.00
Pratt Community College	5	623,883.00	189,172.00
Seward County Community College	6	1,260,000.00	1,089,793.56
Washburn University	2	3,405,000.00	2,643,625.12
<b>TOTALS</b>	<b>48</b>	<b>\$20,000,000.00</b>	<b>\$17,806,006.49</b>

**The Series 2009C Bonds**

With regard to the second year of the program (FY 2009), applications from 12 of the 25 eligible institutions were approved by the Board on February 12, 2009. The Series 2009C Bonds, in the amount of \$20 million, were issued by K DFA on March 31, 2009. Bond covenants mandate expenditures equal to at least 30% of bond proceeds at March 15, 2010, and equal to at least 95% by March 15, 2012. The following table lists the twelve participating institutions, the number of authorized projects and loan amounts for each institution, and the amount of bond proceeds disbursed to each participant by June 30, 2010. At that date, \$11,598,357.04, or 58% of the Series 2009C bond proceeds had been disbursed.

**2009C Bond Proceeds - Distribution and Expenditures through June 30, 2010**

<b>Name of Participating Institution</b>	<b># of Authorized Projects</b>	<b>Total Authorized Loan Amount</b>	<b>Total Expended at June 30, 2010</b>
Butler County Community College	16	\$ 1,451,923.00	\$ 945,871.18
Cloud County Community College	6	981,104.00	697,180.26
Dodge City Community College	6	276,841.00	241,398.91
Garden City Community College	1	2,216,645.00	1,104,862.62
Highland Community College	5	241,100.00	121,677.22
Hutchinson Community College	2	4,178,520.00	3,363,611.41
Independence Community College	1	1,500,000.00	1,452,382.64
Johnson County Community College	3	5,293,382.00	2,151,924.10
Kansas City Kansas Community College	3	2,058,224.00	1,259,316.42
Northwest Kansas Technical College	5	98,261.00	80,615.27
Pratt Community College	4	460,000.00	-0-
Seward County Community College	8	1,244,000.00	179,517.01
<b>TOTALS</b>	<b>60</b>	<b>\$ 20,000,000.00</b>	<b>\$11,598,357.04</b>

The first payment of principal on the 2009C Bonds was paid on March 1, 2010. The \$2.5 million of principal due on the 2009C Bonds on March 1, 2010, was collected from the participants.

The interest payment portion of the FY 2009 debt service payment for the Series 2008A Bonds was \$680,468.75, paid from the State General Fund (SGF). In FY 2010, the SGF's interest payment portion of the debt service payments for both the 2008A bonds and the 2009C bonds was \$1,318,135.07.

The Legislature did not authorize the issuance of bonds in fiscal year 2010 for the originally planned third year of the program.

### **III. The Tax Credits Program**

In addition to combined direct state funds and university interest earnings and the subsidized loan program made possible with the issuance of the PEI bonds, the final funding component of the State Educational Institution Long-Term Infrastructure Maintenance Program (IMP) is the Tax Credits Program.

In 2007, tax credit provisions authorized by the Legislature established a new tax credit based on a percentage of a taxpayer's contribution made on or after July 1, 2008, to a community college for capital improvements (60% of the contribution), to a technical college for deferred maintenance or purchases of technology or equipment (60% of the contribution), or to a university for deferred maintenance (50% of the contribution). The credit, effective for tax years 2008 through 2012, is applicable to corporate and individual income tax, insurance premiums tax, and financial institutions privilege tax. The credits are scheduled to sunset after tax year 2012. The credit on a contribution to a community or technical college is refundable, if it is in excess of income tax liability. The university credits are non-refundable, but can be carried forward for up to three years. All credits originally claimed by not-for-profit entities are transferable to other taxpayers. The Kansas Department of Revenue (KDOR) has developed and implemented for all institutions a tax credits process designed to assure that qualifying contributions qualify for Federal as well as State income tax deductions.

As part of the fiscal year 2010 State budget approved by the Kansas Legislature on May 9, 2009, these tax credits were reduced by 10% in both the 2009 and the 2010 tax years. For a taxpayer donating \$1,000 to an eligible community college, prior to the cuts, that taxpayer would have received a 60% credit of \$600. Now, the taxpayer will receive 90% of the 60% credit, or \$540. The contribution of \$1,000 generates 10% less tax credit to the taxpayer. This reduced credit is reflected only on the taxpayer's income tax return. It should be noted that the reduction was not extended to calendar year 2011 during the 2010 legislative session.

The table below shows the 2007 projected amounts of contributions for each sector of postsecondary education by fiscal year, assuming contributions were received to fully use the available tax credits. Also shown are the previously projected, related impacts on the State General Fund.

**Note: All amounts are expressed in millions of dollars**

<b>Fiscal Year</b>	<b>Total Projected Contributions</b>	<b>Projected Contributions to State Universities and to Washburn University</b>	<b>Impact to the State General Fund from Projected Contributions to State Universities and Washburn</b>	<b>Projected Contributions to Community &amp; Technical Colleges</b>	<b>Impact to the State General Fund from Projected Contributions to Community &amp; Technical Colleges</b>
2009	\$ 14.375	\$ 11.250	\$ (7.500)	\$ 3.125	\$ (5.625)
2010	27.750	22.500	(15.000)	6.250	(11.250)
2011	38.333	30.000	(20.000)	8.333	(15.000)
2012	38.333	30.000	(20.000)	8.333	(15.000)
2013	38.333	30.000	(20.000)	8.333	(15.000)
<b>Totals</b>	<b>\$158.125</b>	<b>\$123.750</b>	<b>\$(82.500)</b>	<b>\$34.375</b>	<b>\$(61.875)</b>

The allotment of the tax credits in the legislation is handled differently for Washburn and the state universities than for the community and technical colleges. The legislation specifies that for tax year 2008, each community and technical college is allotted \$78,125 in tax credits. For tax year 2009, this amount increased to \$156,250, and for each of tax years 2010 through 2012, further increases to \$208,233. Assuming that all tax credits are used, each of the 24 institutions will generate private contributions for projects of \$130,308 in tax year 2008, \$260,416 in tax year 2009, and \$347,208 for each of tax years 2010 through 2012.

For the state universities and Washburn University, a total of \$5,625,000 in tax credits was divided among the seven institutions for tax year 2008. This total amount increased to \$11,250,000 for tax year 2009, and further increases to \$15,000,000 for each of tax years 2010 through 2012. The legislation stipulates that the Board of Regents, in consultation with the Secretary of Revenue and university foundation or endowment associations for each institution, will make the allotment of tax credits in advance of any credit issuance each year, with not more than 40% of the total credits being allotted to any one institution, unless all institutions are in agreement to waive that cap.

As previously reported to you, to prepare for the effective date of the program, the Department of Revenue has implemented regulations, and the universities have agreed to focus tax credit efforts on projects identified in the \$200 million list approved in February 2007.

The Board of Regents approved the tax credit allocations listed in the following table for calendar years 2008 and 2009:

<b>University Name</b>	<b>2008 Allocation Amount</b>	<b>2009 Allocation Amount</b>	<b>2010 Allocation Amount</b>
University of Kansas	\$1,540,566	\$ 3,081,133	\$4,108,177
University of Kansas – Medical Center	588,471	1,176,941	1,569,255
Kansas State University	1,624,381	3,248,761	4,331,681
Wichita State University	553,879	1,107,758	1,477,011
Emporia State University	324,481	648,961	865,281
Pittsburg State University	370,910	741,820	989,093
Fort Hays State University	371,220	742,441	989,922
Washburn University	251,092	502,185	669,580
<b>TOTALS</b>	<b>\$5,625,000</b>	<b>\$11,250,000</b>	<b>\$15,000,000</b>

The table below summarizes the actual, total contributions and corresponding tax credits issued for calendar years 2008 and 2009, as reported to KBOR by the universities and confirmed with the Kansas Department of Revenue's reports to KBOR as of January 19, 2010:

<b>University Name</b>	<b>Calendar Year 2008</b>		<b>Calendar Year 2009</b>	
	<b>Total Donations Received</b>	<b>Total Tax Credits Issued</b>	<b>Total Donations Received</b>	<b>Total Tax Credits Issued</b>
University of Kansas	\$ 55,550	\$ 27,775	\$153,700	\$ 76,850
University of Kansas – Medical Center	15,400	7,700	25,895	12,948
Kansas State University	2,000	1,000	3,000	1,500
Wichita State University	85,000	42,500	70,000	35,000
Emporia State University	-0-	-0-	-0-	-0-
Pittsburg State University	15,000	7,500	18,598	9,299
Fort Hays State University	689,270	344,635	136,017	68,009
Washburn University	-0-	-0-	-0-	-0-
<b>TOTALS</b>	<b>\$ 862,220</b>	<b>\$ 431,110</b>	<b>\$ 407,210</b>	<b>\$ 203,606</b>

Obviously, the actual donations and allocated tax credits were substantially less than anticipated for both calendar year 2008 (about \$4.7 million less) and calendar year 2009 (about \$10.8 million less).

According to reports from the Kansas Department of Revenue, for the calendar year ended December 31, 2009, the technical colleges received \$89,900 in total contributions and awarded \$53,940 in tax credits. The State's community colleges reported receiving contributions totaling \$1,510,766, resulting in the award of \$906,459 of tax credits in the 2009 calendar year.

Thank you for your attention. I would be pleased to respond to questions at this time.