



## KANSAS BOARD OF REGENTS

### Legislative Budget Update

May 3, 2011

(Noted Items of Budget Conference Committee Agreement as of May 3, 1:00pm)

### FY 2011 Budget

Board's Revised FY 2011 Budget Request – The only SGF change submitted in the Board's revised request is lapse of \$2.3 million SGF to correct an error in the appropriation bill (2010 session).

Governor's Recommendation (January) – The Governor makes no change to the Board's request.

Governor's Allotment (March) – The Governor included in the March 11 SGF Allotment Action the reduction of \$2.3 million operating reductions for the Regents System, as the Board proposed to correct the error from the 2010 Session.

Conference Committee Rescission Bills (HB 2014 and Sen. Sub for HB 2014) - “stuck.” House and Senate have included FY 2011 items in their respective “mega” appropriation bills (HB 2383 and SB 234.)

Items Included in both House and Senate Mega Appropriation Bills (HB 2383 and Sen. Sub for SB 234)

1. Include 7.5% pay reduction for State Officers, effective the pay period following the effective date of the act. Note: if implemented the same as last year will impact agency heads, Board and TEA members.
2. Include capital improvement adjustments, as Board requested (all non-SGF).
  - KSU – Add \$5.3 million, all from special revenue funds, for animal suite at Large Animal Research Center
  - KSU – Add \$5.2 million, all from special revenue funds, to accelerate construction of the Justin Hall Addition
  - KSU – Add \$300,000, all from special revenue funds for the first stage of a project to remove the Old Chemical Waste Landfill

- KSU – Add \$1.2 million, all from special revenue funds, for upgrades to West Hall
- KSU – Add \$2.0 million, all from special revenue funds, to construct Southeast Research Extension Center in Parsons
- KSU – Add \$600,000, all from special revenue funds, for the renovation of portion of chemical engineering lab space in Durland Hall
- KSU – Add \$600,000, all from special revenue funds, to remodel the Technology Assistance Center on the Salina Campus.
- KSU – Add \$550,000, all from special revenue funds, to upgrade the John C. Pair Center at Wichita
- KSU – allow the University to enter into a lease purchase agreement with the KSU Foundation for a new Grain Science Feed Mill

Differences in House (HB 2383) and Senate (Sen. Sub. for S.B. 234)

1. KU Standardized Water Data Repository Fund

- Senate -- Includes language establishing the KU Standardized Water Data Repository Fund in FY 2012 and a provision transferring on July 1 \$300,000 from the Standardized Water Data Repository Fund to the State Water Plan Fund. **(CC AGREES WITH SENATE POSITION)**
- House -- Add \$300,000 SGF in FY 2011 and \$100,000 in FY 2012 for the standardized water data repository. Also include a "pay go" provision that lapses \$300,000 from the KBOR-PEI debt service account in FY 2011 and transfers \$100,000 from the KBOR-PEI debt service account to the SGF in FY 2012. (House Floor Amendment)

2. Statewide Membership, Dues and Subscriptions

- Senate -- Concur with Governor and do not include this item.
- House -- Add language prohibiting SGF expenditures by any state agency for membership dues and subscriptions on effective date of the act and lapse savings to SGF **(CC AGREES WITH HOUSE POSITION)**

3. KU – Claim Against the State

- Senate -- Delete language directing KU to reimburse a claim for out-of-state tuition payments of \$12,302. (Item was in the original claims bill).
- House – Directs KU to reimburse a claim for out-of-state tuition payments of \$12,302 in the House Claims bill (HB 2133)

## **FY 2012 Budget**

Board's FY 2012 Budget Request – SGF appropriation of \$816 million, including an enhancement request of \$63 million.

Governor's Recommendation – SGF appropriation of \$754 million. The Governor did not recommend any of the Board's requested enhancements. Recommendations include:

- Continue flat SGF for operations of colleges and universities.
- Reduce SGF of 5%, or \$203,021, for Board Office operations.
- Add \$1 million EDIF to the Board budget to match federal funding and shift responsibility for the administration of the Experimental Program to Stimulate Competitive Research (EPSCoRE) program to the Board. This program has been administered by the Kansas Technology Enterprise Corporation. The federal program encourages university partnerships with industry and stimulates sustainable science and technology infrastructure improvements in 19 states that historically received a disproportionately low per capita average of federal research dollars. This is a decrease of \$500,000 below the amount requested by KTEC for FY 2012.
- Do not fund the \$10 million deferred maintenance for the state universities or the Infrastructure Loan program for the community and technical colleges. This was part of the 2007 Deferred Maintenance legislation.
- Increase SGF of \$586,569 over FY 2011 for the KU Medical Center Cancer Center for a total of \$5 million, and appropriate the \$5 million to the Kansas Department of Commerce (makes a reduction of \$4.4 million in the KUMC budget from FY 2011 to FY 2012.) State funding for the Cancer Center was included in the KU Medical Center budget in previous years. The university will be required to provide a one-to-one match.
- Add \$5 million SGF, appropriated to the Department of Commerce, for grants to KSU for animal health research. The university will be required to provide a one-to-one match. This is new funding.
- Add \$5 million SGF, appropriated to the Department of Commerce, for grants to WSU for aviation research. The university will be required to provide a one-to-one match. In FY 2011 this program was budgeted in the WSU budget and financed from the EDIF.
- Add \$1 million EDIF, appropriated to the Department of Commerce, for a new program to provide competitive Engineering Expansion Grants. A three-to-one match will be required.
- Add \$500,000 EDIF appropriated to the Department of Commerce for a program to provide community colleges a new competitive grant program. The Community College

Competitive Grant Program will require a local one-to-one match and will develop innovative programs with private companies needing specific job skills or to meet other industry needs that cannot be addressed with current funding streams. (Clarification was made in Senate Ways and Means Committee by the Governor's Director of Policy that this grant program would also be available to Technical Colleges and Washburn Institute of Technology.)

- Lapse the FY 2012 and FY 2013 SGF funding for the under market salary adjustments for classified employees appropriated by the 2008 Legislature. FY 2012 and FY 2013 are the fourth and fifth years of the five year plan to bring selected classified employee classification to the market rate.

#### Items Included in both House and Senate Bill

Adjustment to items the Governor included in the budget bill:

1. Add capital improvement project requests (all non-SGF) as requested by the Board.
  - PSU – Add \$1.5 million, all from special revenue funds, for the demolition of the existing President's Home and to replace it with a new University House.
  - FHSU – Add \$1.3 million, all from special revenue funds, for window and exterior door replacement at McMIndes Hall.
  - FHSU – Add \$4 million, all from special revenue funds, for an indoor practice facility.
  - KSU – Add \$3.7 million, all from special revenue funds, for the second stage of a project to remove the Old Chemical Waste Landfill
  - KSU – Add \$50 million in bonding authority for Snyder Family Stadium Improvements
2. Add language allowing the expenditure from EDIF for WSU – NCAT for both training and equipment

#### Differences in Governor, House and Senate Budgets

As of first adjournment, the House budget leaves about a \$78 million ending balance. The Senate budget leaves \$8.1 million in the Treasury as an ending balance.

On April 15, the Consensus Revenue Estimating Group (CREG) met and forecast a slight—\$10.2 million—drop in revenues for the current fiscal year and a \$21.5 million drop for the

coming fiscal year. Both are changes from the November estimate on which Governor Brownback based his budgets for this and next fiscal year.

The estimate of revenues puts all but the House's rescission/Mega appropriations bill under water. If adopted the House bill would produce a \$48 million surplus at the end of FY'12. The governor's budget is \$15.4 million short and the Senate's \$23.3 million short for the same year.

Adjustments to items the Governor included in the budget bill:

1. University Research Grants

- Senate -- While supporting the Governor's recommendation, the Senate moved the grant program and \$15 million from the Department of Commerce to the Board of Regents. The Senate Ways and Means Committee proposal requires the same dollar for dollar match "from other money's of the University" for all grants and requires that the universities provide a plan to the Board detailing how the activities of these programs create additional jobs for the State.
- House -- Concur with the Governor and add \$15m SGF to the Department of Commerce to fund grants of \$5 million each to the Cancer Center at KUMC, National Institute for Aviation Research at WSU, and animal health research at KSU.

2. Engineering Expansion

- Senate -- Add \$1.0 million EDIF to the newly created KAN-Grow Engineering Fund for engineering expansion grants developed and administered by the Board for KU, KSU, and WSU. The Senate language includes a \$1 to \$1 match.
- House -- Concurs with the Governor and budgets the \$1 million Engineering Expansion as the Governor recommended in the Department of Commerce with a \$3 to \$1 match.
- NOTE: The Senate introduced SB 235 and passed Sen. Sub. for HB 2149 to build on the \$1 million initial investment in engineering expansion grants. The legislation would create an engineering expansion program and KAN-grow Engineering Fund at the Board financed by transfers from the State's Expanded Lottery Act Revenue Fund (ELARF) beginning in FY 2013. Funding for FY 2013 would be \$4 million, and for FY 2014 and each year thereafter the program would receive \$7 million. The program would require a \$1 to \$1 match from non-SGF sources. The program would also authorize the Board to approve plans developed by the Schools of Engineering at KU, KSU, and WSU to increase the number of engineering graduates in the state by 60%. The plans would be developed with private industry, in consultation with the Board, to ensure industry partners find the new talent, designs, and techniques needed to fuel economic growth and business success. The House Appropriations Committee held a hearing on the bill, but has not acted.

3. Community & Technical College Competitive Grants

- Senate -- Add \$500,000 EDIF to provide competitive grants to community and technical colleges to be administered by the Board of Regents. The Governor's recommendation provided funding for these grants with the same requirements, but included in the Department of Commerce budget. The Senate language includes a \$1 to \$1 match.
- House -- Concur with the Governor and budget this item in Commerce.

4. PSU School of Construction

- Senate -- Add \$750,000 SGF for the new School of Construction at PSU, subject to a 1:1 match.
- House -- Concur with the Governor and do not include this item.

5. Washburn University operating grant

- Senate -- Concur with the Governor and do not include this item.
- House -- Delete \$5.5 million SGF - 50% cut of the Washburn University operating grant.

6. Remove funding for Kan-ed

- Senate -- Concur with the Governor fully funding Kan-Ed at \$10 million (KUSF)
- House -- Delete \$10 million (KUSF) and remove Kan-Ed from the budget.

7. Provisions of HB 2402 – transferring first \$16 million collected from income tax withholding for KBA to KBOR.

- Senate -- Concur with Governor and do not include this item.
- House -- Add provisions of HB 2402 into the budget bill and language requiring the first \$16 million collected from income tax withholding transferred to KBOR and appropriate \$2 million each to each of the following: KSU-Advanced Manufacturing Institute; KU-Biotechnology Innovation and Optimization Center; KU-Information and Telecommunications Center; PSU-Kansas Polymer Research Center; WSU-National Institute for Aviation Research; KSU-The Heartland Plant Innovations; KU-Kansas Alliance for Bioenergy and Biorefining; WSU- Center

for Innovation for Biomaterials in Orthopaedic Research. The bill includes a multi-year appropriation of \$2 million each for FYs 2012, 2013, 2014, and 2015.

8. “Pay Go” Amendment Reduce KBOR – PEI Debt Service Account by a total of \$400,000

- Senate -- Do not include this item (**CC AGREES WITH SENATE POSITION**)
- House -- Add "pay go" provision that lapses \$300,000 from the KBOR-PEI debt service account in FY 2012 and appropriate \$300,000 SGF for SRS- Autism (House Floor Amendment) . Add “pay go” provision that lapses \$100,000 from KBOR-PEI debt service account in FY 2012 and appropriate \$100,000 SGF for KU – Standardized Water Data Repository Fund.

9. Statewide Reduce salaries of state officers by 2.5%, includes statutory agency heads, Board and TEA members

- Senate -- Include this provision
- House -- Do not include this provision (**CC AGREES WITH HOUSE POSITION**)

10. Statewide Classified Staff Longevity Payments

- Senate -- Require state agencies (includes board office and state universities) to self-fund state employee longevity bonus payments. The Senate lapses SGF and transfers all allowable special revenue savings to the SGF.
- House -- Require state agencies (includes board office and state universities) to self-fund state employee longevity bonus payments. The House lapses SGF only.

11. Statewide Classified Under Market Salary Plan

- Senate -- Do NOT concur with the Governor in deleting \$16.4 million, including \$8.5 million from the State General Fund, in both FY 2012 and FY 2013 for classified staff under market pay adjustments.
- House – Concur with the Governor in deleting \$16.4 million, including \$8.5 million from the State General Fund, in both FY 2012 and FY 2013 for classified staff under market pay adjustments.



12. Statewide 5% Employee Surcharge on State Employee Health Insurance Premiums

- Senate -- Do not include this language
- House -- Impose a 5% employee surcharge on state employee health premiums for the 2012 plan year which begins January 2012 and transfer the estimated proceeds of \$3.1 million to the State General Fund (impacts employees of the Board office and state universities).

13. Statewide Budgeting for Salaries and Wages

- Senate -- Concur with Governor and do not include this item (**CC agrees with the Senate position**)
- House -- Add language requiring that all money budgeted for salaries and wages be spent only on salaries and wages, and any SGF unencumbered balance for salaries and wages at the end of FY 2012 be lapsed (no estimate).

14. Statewide 10% IT Reduction

- Senate -- Concur with Governor and do not include this item
- House -- Add language requiring a 10% reduction to IT expenditures

15. Statewide Membership, dues, and subscriptions

- Senate -- Concur with Governor and do not include this item.
- House -- Add language prohibiting SGF expenditures by any state agency for membership dues and subscriptions and lapse to SGF.

16. Statewide Cell Phone Contracts

- Senate -- Concur with Governor and do not include this item.
- House -- Direct all state agencies to reduce expenditures for cell phone contracts by 50% and lapse any resulting SGF savings.

17. Statewide Reduce Expenditures for Bottled Water

- Senate -- Concur with Governor and do not include this item.

- House -- Direct all state agencies to reduce expenditures for bottled water and lapse \$100,000 SGF savings. “Pay-go” provision related to full operation of KNI.

#### 18. Statewide Reduce Expenditures for Office Supplies

- Senate -- Concur with Governor and do not include this item.
- House -- Direct all state agencies to reduce expenditures for office supplies and reduce SGF statewide \$177,039. “Pay-go” provision related to full operation of KNI.

#### 19. Statewide State Employee Travel Rewards and State Issued Credit Cards

- Senate -- Concur with Governor and do not include this item
- House -- Capture state employee travel rewards, including frequent flyer miles, hotel and motel award points, and any other promotional items (statewide \$300k SGF). Add language requiring all state employees to utilize state issued credit cards for all state authorized travel.

#### 20. Statewide Across-the Board Reduction of 1.193%

- Senate -- Concur with Governor and do not include this item
- House -- Reduce 1.193% across the board except debt service, human services caseload, and all K-12 aid (**CC AGREES WITH HOUSE POSITION**)

#### 21. Department of Administration -- Prioritize 10% of state property for sale

- Senate -- Did not include the language
- House -- Add language requiring the Secretary of Administration to prioritize the sale of 10 percent of state assets and report to the Governor and Legislature on those priorities by March 31, 2011 (**CC AGREES WITH HOUSE POSITION WITH MODIFIED DATE OF SEPT.**)

Kansas Board of Regents

Short Hand Comparison of House (H.B.s 2383,2382) and Senate (S.B. 234) Changes to Governor's Budget

05.03.11 -- Shaded boxes and italics text indicate both House and Senate agreement and CC agreement as of 5/3 at 1:00pm

Senate Committee of the Whole				House Committee of the Whole		
Agency	Description of Item	SGF	AF	Description of Item	SGF	AF
KU	<i>Include language establishing the KU Standardized Water Data Repository Fund in FY 2012 and a provision transferring \$300,000 from KU Standardized Water Data Repository Fund to the State Water Plan Fund in FY 12. Do not include the language the Governor recommended to establish the fund in FY 11. (CC agrees with Senate position)</i>			Add \$300,000 SGF in FY 2011 and \$100,000 in FY 2012 for the standardized water data repository. Also include a "pay go" provision that lapses \$300,000 from the KBOR-PEI debt service account in FY 2011 and transfers \$100,000 from the KBOR-PEI debt service account to the SGF in FY 2012. (House Floor Amendment).		(\$100,000)
KU	Delete language directing KU to reimburse a claim for out-of-state tuition payments of \$12,302			Include language directing KU to make reimburse a claim for out-of-state tuition in FY 2011		
KBOR	The Governor and Senate did not include this item (CC agrees with Senate position)			Add "pay go" provision that lapses \$300,000 from the KBOR-PEI debt service account in FY 2012 and appropriate \$300,000 SGF for SRS- Autism (House Floor Amemdment)		(\$300,000)
KSU, ESU	Include various state university capital improvement adjustments in FY 11 and 12, as Board requested. (all non-SGF)			Include various state university capital improvement adjustments in FY 11 and 12, as Board requested. (all non-SGF)		
KU,KSU,WSU	Add \$15 million SGF to the KBOR to fund grants of \$5 million each to the Cancer Center at KUMC, National Institute for Aviation Research at WSU, and animal health research at KSU, including a 1:1 matching requirement. The Governor's recommendation provided funding for these grants with the same requirements, but included the funding in the Department of Commerce budget	\$15,000,000	\$30,000,000	The House concurs with the Governor and adds \$15m SGF to the Department of Commerce to fund grants of \$5 million each to the Cancer Center at KUMC, National Institute for Aviation Research at WSU, and animal health research at KSU		
PSU	Add \$750,000 SGF for the new School of Construction at PSU, subject to a \$1 to \$1 match.	\$750,000	\$1,500,000	The House concurs with the Governor and did not include this item		
KBOR	Add \$1.0 million EDIF to the newly created KAN-Grow Engineering Fund for engineering expansion grants developed administered by the Board for KU, KSU, and WSU. Grants would require a \$1 to \$1 match.		\$1,000,000	The House concurs with the Governor and budgets this item in Commerce and requires a \$3 to \$1 match.		
KBOR	Add \$500,000 EDIF to provide competitive grants to community and technical colleges to be administered by the Board of Regents. The Governor's recommendation provided funding for these grants with the same \$1 to \$1 matching requirements, but included in the Department of Commerce budget		\$500,000	The House concurs with the Governor and budgets this item in Commerce		
KBOR	The Governor and Senate did not include this item			Delete \$5.5 million SGF -- 50% cut of the Washburn University operating grant	(\$5,543,981)	(\$5,543,981)
KBOR	The Governor and Senate did not include this item			Delete \$10 million (KUSF) and remove Kan-Ed from the budget		(\$10,000,000)
Kansas Bioscience	The Governor and Senate did not include this item			Add HB 2402 into the budget bill and language requiring the first \$16 million (\$2 million each) to each of the following: KSU-Advanced Manufacturing Institute; KU-Biotechnology Innovation and Optimization Center; KU-Information and Telecommunications Center; PSU-Kansas Polymer Research Center; WSU-National Institute for Aviation Research; KSU-The Hearland Plant Innnovations; KU-Kansas Alliance for Bioenergy and Biorefining; WSU- Center for Innovation for Biomaterials in Orthopaedic Research. Mult-year appropriation FYs 2012, 2013, 2014, 2015		\$16,000,000
Statewide	Include 7.5% pay reduction for State Officers for FY 11 - effective date of bill			Include 7.5% pay reduction for State Officers for FY 11, effective date of bill		
Statewide	Include 2.5% pay reduction for State Officers for FY 2012, except 7.5% for legislators	(\$75,066)		The Governor and House do not include this item. (CC agrees with House position)		
Statewide	The Senate does NOT concur with the Governor in deleting \$16.4 million, including \$8.5 million from the State General Fund, in both FY 2012 and FY 2013 for classified staff undermarket pay adjustments.			The Governor recommends and the House concurs in deleting \$16.4 million, including \$8.5 million from the State General Fund, in both FY 2012 and FY 2013 for classified staff undermarket pay adjustments.		
Statewide	The Governor and Senate did not include this item.			Include language prohibiting expenditures for dues and memberships for the balance of FY 2011 ( CC agrees with House position)		
Statewide	The Governor and Senate did not include this item.			Include language prohibiting expenditures for dues and memberships for FY 2012	(\$7,002,765)	(\$7,002,765)
Statewide	The Governor and Senate did not include this item.			Department of Admin must present a prioritized report of 10% of state real property (buildings and land) that could be sold. The bill, as introduced with the Governor's recommendations, did not include this item. (CC agrees with House position, modified date of Sept.)		
Statewide	The Governor and Senate did not include this item			Impose a 5% employee surcharge on state employee health premiums for the 2012 plan year which begins January 2012 and transfer the estimated proceeds of \$3.1 million to the State General Fund (impacts Board office and state universities).		
Statewide	Require state agencies (including board office and state universities) to self-fund state employee longevity bonus payments, lapsing from SGF and AF. The Governor did not include this item.	(\$1,015,531)	(\$2,247,557)	Require state agencies (including board office and state universities) to self-fund state employee longevity bonus payments lapsing SGF only. The Governor did recommend this item.	(\$1,015,531)	(\$1,015,531)
Statewide	The Governor and Senate did not include this item			Add language requiring that all money budgeted for salaries and wages be spent only on salaries and wages, and any SGF unencumbered balance for salaries and wages at the end of FY 2012 be lapsed (no estimate). (CC agrees with Senate position)		
Statewide	The Governor and Senate did not include this item			Add language requiring a 10% reduction to IT expenditures (statewide \$8.6M SGF/\$23.2M AF)	(\$2,340,015)	(\$7,335,712)
Statewide	The Governor and Senate did not include this item			Add language prohibiting expenditures for bottled water (statewide \$100,000)	(\$1,606)	(\$7,132)
Statewide	The Governor and Senate did not include this item			Add language reducing expenditures for office supplies (statewide \$177,039)	(\$18,031)	(\$65,327)
Statewide	The Governor and Senate did not include this item			Direct all state agencies to reduce expenditures for cell phone contracts by 50% and lapse any resulting SGF savings	(\$146,900)	(\$499,987)
Statewide	The Governor and Senate did not include this item			Capture state employee travel rewards, including frequent flyer miles, hotel and motel award points, and any other promotional items (statewide \$300k SGF)	(\$123,607)	(\$123,607)
Statewide	The Governor and Senate did not include this item			Add language requiring all state employees to utilize state issued credit cards for all state authorized travel (no estimate).		
Statewide	The Governor and Senate did not include this item			Reduce 1.193% across the board except debt service, human services caseload, and all K-12 aid (CC agrees with House position)	(\$8,787,457)	(\$14,228,872)
	<b>KBOR SYSTEM TOTALS</b>	<b>\$14,659,403</b>	<b>\$30,752,443</b>		<b>(\$24,979,893)</b>	<b>(\$30,222,914)</b>