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Senate Committee on Assessment and Taxation Testimony in Opposition of SB 94

February 1, 2023

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President and CEO, Kansas Board of Regents

Good morning Chair Tyson and Members of the Committee. Thank you for the opportunity to appear before you in opposition to SB 94, a bill that would disrupt a vital and stable source of state funding for the state universities. Because facilities are such an important aspect of what we offer our students, we are opposed to legislation that would result in less stability for a vital funding stream for maintenance of those facilities.

The Educational Building Fund was first established by the 1941 Legislature. For most of the past 80+ years, the EBF has been the only reliable and dedicated source of state funds for building projects at the state universities. Income to the Fund is derived from a one mill, statewide levy on property subject to ad valorem taxation.

While our System benefits greatly from reliability of the Educational Building Fund (EBF), that revenue source is not sufficient to meet the maintenance needs of the 498 "mission critical" facilities (buildings and infrastructure predominantly used for academic and/or research mission of the state universities.)

In its governance of the state universities, the EBF is appropriated to the Board for distribution among the campuses for rehabilitation and repair projects. Through the budget process, the universities submit their five-year capital plans to the Board for approval and to advise the Joint Committee on State Building Construction, as required by state law. The state universities report to the Board on an annual basis on how the funds were used for rehabilitation and repair projects.

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A table outlining revenue sources to the EBF and expenditures from the Fund is below. Our Board is pleased to have the benefit of this dedicated fund to address the ongoing maintenance of state facilities.

Educational Building Fund					
	FY 2020 <u>Actual</u>	FY 2021 <u>Actual</u>	FY 2022 <u>Actual</u>	FY 2023 <u>Projected</u>	FY 2024 <u>Projected</u>
Beginning Balance	\$ 33,478,386	\$ 31,440,335	\$ 41,251,864	\$ 45,536,174	\$ 8,958,787
Revenues					
Property Tax	37,972,127	39,583,283	40,658,136	43,960,000	44,780,000
Motor Vehicle Taxes	3,758,363	4,065,538	3,890,318	3,928,247	4,006,811
Other Receipts/Recoveries	<u>388</u>	<u>--</u>	<u>(78,193)</u>	<u>--</u>	<u>--</u>
Total Revenues	\$ 41,730,878	\$ 43,648,821	\$ 44,470,261	\$ 47,888,247	\$ 48,786,811
Resources Available	\$ 75,209,264	\$ 75,089,156	\$ 85,722,125	\$ 93,424,421	\$ 57,745,598
Total Expenditures	\$ 43,768,929	\$ 33,837,292	\$ 40,185,951	\$ 84,465,634	\$ 50,000,000
Ending Balance	\$ 31,440,335	\$ 41,251,864	\$ 45,536,174	\$ 8,958,787	\$ 7,745,598

Although the universities greatly benefit from the EBF revenues, the amounts available for on-going maintenance are inadequate. A best practice for annual investment in facilities maintenance equates to 2% of asset replacement value adjusted annually for inflation. By that measure, the EBF amounts to approximately 1/3 of the revenues needed to keep the maintenance backlog at bay for our mission critical buildings.

Another concern we have with SB 94 is the identification of an annual transfer to the Board to replace the mill levy, but the amount specified is notably less than what is currently projected from the property tax.

For decades, the Legislature has made investments in buildings and infrastructure on the campuses of the state universities. The state universities and the Kansas Board of Regents oversee this investment, but the buildings and the land that they occupy belong to the citizens of Kansas. In FY 2023, there are a total of 1,147 facilities in use with a total area of more than 38.6 million gross square feet (GSF) with a total replacement value of just over \$12 billion.¹ These facilities comprise a substantial majority of the State of Kansas' total building inventory.

State universities' buildings provide the physical environment to fulfill the institutional missions, help with recruitment and retainment of students, faculty and staff, inspire ongoing participation of alumni and donors, and create a sense of community.

For reasons outlined above we are opposed to enactment of SB 94 and will in fact be seeking additional state support of our mission critical buildings. Thank you for the opportunity to appear before you today on this matter important to our state universities.

¹ 2022 University Facilities Report (as required by K.S.A. 76-7,103).