

KANSAS BOARD OF REGENTS

Senate Committee on Financial Institutions and Insurance Proponent Testimony of SB 322

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Blake Flanders, Ph.D.
President & CEO, Kansas Board of Regents

Good morning, Chair Longbine and Members of the Committee. Thank you for the opportunity to provide proponent testimony on SB 322.

SB 322 would eliminate the statutory provision that credits 80% of the proceeds from the sale of state surplus property to the KPERS Fund. This bill originated as a recommendation from the Joint Committee on Pensions, Investments and Benefits.

As state agencies, our six public universities, Kansas State University, the University of Kansas, Emporia State University, Pittsburg State University, Fort Hays State University and Wichita State University all fall under this provision in state law. We agree with the Joint Committee that incentivizing the sale of surplus property would encourage the universities to get rid of property no longer needed or in use. This bill would remove the provision that keeps the full proceeds from reverting to the university and reinvest those dollars to more strategic uses.

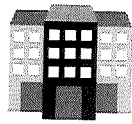
In 2019, the Kansas Board of Regents put a spotlight on the growing deferred maintenance issue on our campuses. The Board commissioned two systemwide studies, one that focused on the condition of our buildings and the other to take stock on the space utilization of our facilities. These studies identified \$1.2 billion in deferred maintenance projects across our university system, as well as space utilization rates that are below the national standards. As we continue tackling this large issue, part of our plan is to right-size the footprint including the razing of obsolete buildings. This legislation will make an impact in the deferred maintenance backlog and allow us to retain proceeds from the sale of surplus property and reinvest those dollars in our campuses.

Again, thank you for the opportunity to testify in support of this bill.

★ LEADING HIGHER EDUCATION ★



Facilities Renewal Initiative



**433 Mission
Critical
Facilities**



**38 Million
Square Feet**

State universities maintain a substantial portfolio of buildings. These facilities 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

What is deferred maintenance?

Postponing necessary annual building and infrastructure maintenance to align with available resources and budget limitations.

Annual maintenance is a combination of **renewal and replacement** of major building systems and components, **preventive maintenance**, and **minor repairs** to building system components.

Waiting to address deferred maintenance leads to higher costs, building system failures, health and safety hazards, property loss and liabilities, and failure to meet academic program functional needs.

\$1.265 Billion

Estimated deferred maintenance costs for systemwide mission critical facilities (2020)

Mission critical buildings are state-owned academic, research and supporting facilities and infrastructure. They do not include affiliated corporations, auxiliaries and athletic buildings.

\$44 Million

Educational Building Fund for Fiscal Year 2022, less than a third of the needed annual investment

The EBF, which was first established by the Legislature in 1941, is the primary source of state funds for building projects at the Regents universities. By Board practice, it has been dedicated to rehabilitation and repair.

The Regents' facilities renewal initiative is a proactive, bold step to revitalize campus facilities and address deferred maintenance.

- The Board is requiring a **Maintenance Assessment** for all mission critical buildings starting in FY 2023 at 0.25 percent of replacement value which will ramp up to 2 percent by FY 2027
- Built upon revamped, robust reporting of building inventory, space utilization, and facilities condition data
- Maintenance funding for new and existing facilities will be simplified at each university
- For proposed new facilities, state universities will develop a structured and detailed plan to demonstrate how maintenance over the life of the building will be financed
- Universities will prioritize their top projects for strategic improvement
- Razing obsolete buildings and campus right-sizing will be incentivized