Session of 2008

SENATE BILL No. 415

By Joint Committee on State Building Construction

1-14

AN ACT concerning postsecondary educational institutions; relating to 10 deferred maintenance; amending K.S.A. 76-755 and K.S.A. 2007 11 12 Supp. 72-4479, 76-7,105, 76-7,117, 76-7,120 and 79-32,261 and re-13 pealing the existing sections.

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Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2007 Supp. 72-4479 is hereby amended to read as follows: 72-4479. (a) On or before July 1, 2008, The governing bodies of the northeast Kansas technical college, Kansas City area technical school, Kaw area technical school, Salina area technical school and southwest Kansas body of each technical school shall submit to the state board of regents a plan to merge or affiliate with a postsecondary educational institution or become an accredited technical college with an independent governing board. Any plan approved by the state board in substantial **compliance** shall be implemented on or before July 1, 2009.

- Whenever the state board approves a plan submitted by the governing body of a technical school, the state board shall send notice of such approval The state board shall certify to the president of the Kansas development finance authority and the secretary of the department of revenue whenever a technical school or college has achieved substantial compliance with subsection (a).
 - $\frac{\text{(b)}}{\text{(c)}}$ As used in this section:
- "Postsecondary educational institution" means a technical college, community college, municipal university or a state educational institution.
- "Technical college", "community college", "municipal university" and "state educational institution" have the meanings ascribed thereto by K.S.A. 74-3201b, and amendments thereto.
 - "State board" means the state board of regents.
- 38 "Technical school" means the northeast Kansas technical college, 39 Kansas City area technical school, Kaw area technical school, Salina area 40 technical school and southwest Kansas technical school.
- Sec. 2. K.S.A. 2007 Supp. 76-7,105 is hereby amended to read as 42 follows: 76-7,105. (a) Subject to the provisions of subsection (c), the state 43 board shall advise and consult with the joint committee regarding each

project. The state board shall not approve a project to be financed by moneys from the infrastructure maintenance fund unless the state board first has advised and consulted with the joint committee. A state educational institution shall advise and consult with the joint committee before expenditure of any moneys from the infrastructure maintenance fund, or from any account or accounts of the infrastructure maintenance fund of such institution, for each project. No moneys received by a state educational institution as a contribution which qualifies as an income tax credit pursuant to law to finance the cost of a project may be expended unless the institution first has advised and consulted with the joint committee.

- (b) Except as specifically provided by this act, the project financed under the program shall not be subject to any further process or procedure that requires the submission, review or approval of any infrastructure improvement. The state board shall ensure that projects financed under the program comply with nationally recognized codes and life-safety inspections under K.S.A. 31-132 et seq., and amendments thereto. Such inspections, plan reviews and other related work shall be conducted by the division of facilities management, or a designee of the division, prior to certification for building occupancy. The state board shall not be subject to the oversight of the state fire marshal.
- (c) The joint committee shall develop recommendations for a plan for the management and oversight of projects financed under the program. Such recommendations shall be submitted to the president of the senate and the speaker of the house of representatives on or before January 14, 2008.
- Sec. 3. K.S.A. 2007 Supp. 76-7,117 is hereby amended to read as follows: 76-7,117. As used in the infrastructure finance program:
 - (a) "State board" means the state board of regents.
- (b) "Postsecondary educational institution" or "institution" means Washburn university and any community college or technical school.
- (c) "Community college" means a community college established under the provisions of the community college act.
- (d) "Technical college" means a technical college as designated pursuant to K.S.A. 72-4472, 72-4473, 72-4474, 72-4475 and $\frac{72-4476}{72-4477}$, and amendments thereto.
- (e) (1) "Project" or "infrastructure improvement 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

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- (2) "Infrastructure improvement project" shall not mean:
- (A) The new construction of buildings;
- (B) the maintenance, repair, reconstruction or rehabilitation of any building used as an athletic facility that does not directly support the delivery of academic pursuits; or
- (C) the maintenance, repair, reconstruction or rehabilitation of the residence of the president or chief executive officer of a postsecondary educational institution.
- (f) "Cost" means all costs or expenses which are necessary or incidental to an infrastructure improvement project and which are directly attributable thereto.
- $\mbox{(g)}$ "Program" means the postsecondary educational institution infrastructure finance program.
- 15 (h) "Joint committee" means the joint committee on state building 16 construction.
 - (i) "Technical school" means a technical school which has submitted a plan approved by the state board in accordance with the provisions of K.S.A. 2007 Supp. 72-4479, and amendments thereto.
 - Sec. 4. K.S.A. 2007 Supp. 76-7,120 is hereby amended to read as follows: 76-7,120. (a) (1) Subject to the provisions of this section, the Kansas development finance authority is hereby authorized to issue bonds to finance the cost of projects. Projects which are approved by the state board under the program are hereby approved for the state board for the purposes of subsection (b) of K.S.A. 74-8905, and amendments thereto. Except as provided by paragraph (3) of this subsection, the aggregate principal amount of bonds issued pursuant to this section in a single fiscal year under the program shall not exceed \$100,000,000, plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for projects during the time such improvements are being made and any required reserves for the payment of principal and interest on the bonds. The aggregate principal amount of bonds issued pursuant to this section in a single fiscal year shall not exceed \$20,000,000, plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for projects during the time such improvements are being made and any required reserves for the payment of principal and interest on the bonds. All moneys received from the issuance of any such bonds shall be deposited and accounted for as prescribed by applicable bond covenants. The debt service for any such bonds issued for such project shall be paid by appropriations of moneys from the state general fund as may be necessary to pay debt service on the bonds. Subject to the provisions of appropriations acts, and as directed by the Kansas development finance authority, payment of principal and interest on the bonds shall be made by the state

board from annual appropriations by the legislature or from any other moneys as may be made available by law or from the postsecondary educational institution in amounts sufficient to pay the principal and interest on the bonds until the bonds are finally paid. The state board is authorized to enter into loan agreements with a postsecondary educational institution to provide for payment of principal on the bonds. All moneys received pursuant to such agreements shall be deposited in the state treasury in accordance with the provisions of K.S.A. 75-4215, and amendments thereto, and shall be credited to the state general fund.

- (2) No bonds shall be issued pursuant to this section after June 30, 2012.
- (3) The limitation imposed by paragraph (1) of this subsection on the aggregate principal amount of bonds which may be issued under the program shall be increased in an amount equal to \$4,000,000 for each technical school which has submitted a plan approved by the state board in accordance with the provisions of K.S.A. 2007 Supp. 72-4479, and amendments thereto. Applications for loans from technical schools shall be given first priority for moneys attributable to the increase in bonding authority under this paragraph. Any moneys remaining after loans are made to technical schools may be reallocated to other postsecondary educational institutions.
- (b) The aggregate principal amount of bonds issued pursuant to this section to finance the cost of projects at a single postsecondary educational institution shall not exceed \$15,000,000, plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for projects during the time such improvements are being made and any required reserves for the payment of principal and interest on the bonds.
- (c) The date of maturity on bonds issued pursuant to this section shall not be fixed for a period of time which exceeds eight 20 eight years from the date of issuance.
- (d) Subject to the provisions of appropriation acts, the secretary of administration may enter into pledge agreements with the state board and the Kansas development finance authority to pledge moneys for the payment of bonds issued pursuant to the approval in subsection (a).
- (e) Any postsecondary educational institutions may apply for a loan under the program. Applications shall be submitted in the manner and form required by the state board. The state board may enter into agreements with the postsecondary educational institutions for the provision of a loan and for the payment of all or a part of eligible project costs. The purposes for which the loan is to be provided, the amount thereof and the repayment terms and conditions shall be included in the agreement entered into pursuant to subsection (d).
- (f) The first payment of any principal and interest on bonds issued

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pursuant to this section during fiscal year 2008, shall not be made prior to July 1, 2008.

Sec. 5. K.S.A. 2007 Supp. 79-32,261 is hereby amended to read as follows: 79-32,261. (a) On and after July 1, 2008, any taxpayer who contributes in the manner prescribed by this section to a community college located in Kansas for capital improvements, to a technical college or technical school for deferred maintenance or the purchase of technology or equipment or to a postsecondary educational institution located in Kansas for deferred maintenance, shall be allowed a credit against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated. The tax credit allowed by this section is applicable for the tax year 2008 for any contributions made on and after July 1, 2008, and for the tax years 2009, 2010, 2011 and 2012 for any contributions made during the entire tax year. The amount of the credit allowed by this section shall not exceed 60% of the total amount contributed during the taxable year by the taxpayer to a community college or a, technical college or technical school located in Kansas for such purposes. The amount of the credit allowed by this section shall not exceed 50% of the total amount contributed during the taxable year by the taxpayer to a postsecondary educational institution for such purposes. If the amount of the credit allowed by this section for a taxpayer who contributes to a community college or a, technical college or technical school exceeds the taxpayer's income tax liability imposed by the Kansas income tax act, such excess amount shall be refunded to the taxpayer. If the amount of the tax credit for a taxpayer who contributes to a postsecondary educational institution exceeds the taxpayer's income tax liability for the taxable year, the amount which exceeds the tax liability may be carried over for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability, except that no such tax credit shall be carried over for deduction after the third taxable year succeeding the taxable year in which the contribution is made. Prior to the issuance of any tax credits pursuant to this section, the structure of the process in which contributions received by a community college, a technical college or a, technical school or postsecondary educational institution qualify as tax credits allowed and issued pursuant to this section shall be developed by a community college, a technical college and a, technical school or postsecondary educational institution in consultation with the secretary of revenue and the foundation or endowment association of any such community college, technical college, technical school or postsecondary educational institution in a manner that complies

with requirements specified in the federal internal revenue code of 1986, as amended, so that contributions qualify as charitable contributions allowable as deductions from federal adjusted gross income.

- (b) (1) Upon receipt of any such contributions to a community college made pursuant to the provisions of this section, the treasurer of the community college shall deposit such contributions to the credit of the capital outlay fund of such community college established as provided by K.S.A. 71-501a, and amendments thereto. Expenditures from such fund shall be made for the purposes described in subsection (a) of K.S.A. 71-501, and amendments thereto, except that expenditures shall not be made from such fund for new construction or the acquisition of real property for use as building sites or for educational programs.
- (2) Upon receipt of any such contributions to a technical college made pursuant to the provisions of this section, such contributions shall be deposited to the credit of a deferred maintenance fund or a technology and equipment fund established by the technical college which received the contribution. Expenditures from such fund shall be made only for the purpose as provided in this subsection section.
- (3) Upon receipt of any such contributions to a technical school made pursuant to the provisions of this section, such contributions shall be deposited to the credit of a deferred maintenance fund or a technology and equipment fund established by the technical school which received the contribution. Expenditures from such fund shall be made only for the purpose as provided in this section.
- (3) (4) Upon receipt of any such contributions to a postsecondary educational institution made pursuant to the provisions of this section, such contributions shall be deposited to the credit of the appropriate deferred maintenance support fund of the postsecondary educational institution which received the contribution. Expenditures from such fund shall be made only for the purposes designated for such fund pursuant to law.
- (c) (1) In no event shall (A) Except as provided in paragraph (B), for the tax year 2008, the total amount of credits allowed under this section for taxpayers who contribute to any one such community college or, technical college or technical school shall not exceed the following amounts: For the tax year 2008, an amount not to exceed \$78,125, for the tax year 2009, an amount not to exceed \$156,250; and for the tax years 2010, 2011 and 2012, an amount not to exceed \$208,233.33. \$78,125; and, except as provided in paragraph (B), for the tax years 2009 through 2012, the total amount of credits allowed under this section for taxpayers who contribute to community colleges, technical colleges or technical schools shall not exceed the following amounts: For the tax year 2009, an amount not to exceed \$3,750,000; and for the tax

years 2010, 2011 and 2012, an amount not to exceed \$5,000,000. Except as otherwise provided, for the tax years 2009 through 2012, the allocation of such tax credits for each individual community college, technical college or technical school shall be determined by the state board of regents in consultation with the secretary of revenue and each community college, technical college and technical school, and such determination shall be completed prior to the issuance of any tax credits pursuant to this section. Not more than 40% of the total of credits allowed under this section shall be allocated to any one community college, technical college or technical school unless all such community colleges, technical colleges and technical schools approve an allocation to any one such community college, technical college or technical school which exceeds 40% of the total of such credits allowed under this section.

- (B) The limitation imposed under paragraph (A) of this subsection on the total amount of tax credits shall be increased: By \$78,125 for each technical school which has submitted a plan approved certified by the state board to be substantially compliant in accordance with the provisions of K.S.A. 2007 Supp. 72-4479, and amendments thereto, for tax year 2008; and in addition to any amounts allocated to a technical school pursuant to paragraph (A), by \$156,250 for each technical school which has submitted a plan approved certified by the state board to be substantially compliant in accordance with the provisions of K.S.A. 2007 Supp. 72-4479, and amendments thereto, for tax year 2009; and in addition to any amounts allocated to a technical school pursuant to paragraph (A), by \$208,233.33 for each technical school which has submitted a plan approved certified by the state board to be substantially compliant in accordance with the provisions of K.S.A. 2007 Supp. 72-4479, and amendments thereto, for tax years 2010, 2011 and 2012.
- (2) In no event shall The total of credits allowed under this section for taxpayers who contribute to postsecondary educational institutions shall not exceed the following amounts: For the tax year 2008, an amount not to exceed \$5,625,000; for the tax year 2009, an amount not to exceed \$11,250,000; and for the tax years 2010, 2011 and 2012, an amount not to exceed \$15,000,000. Except as otherwise provided, the allocation of such tax credits for each individual state educational institution shall be determined by the state board of regents in consultation with the secretary of revenue and the university foundation or endowment association of each postsecondary educational institution, and such determination shall be completed prior to the issuance of any tax credits pursuant to this section. Not more than 40% of the total of credits allowed under this section shall be allocated to any one postsecondary educational institution

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unless all such postsecondary educational institutions approve an allocation to any one such postsecondary educational institution which exceeds 40% of the total of such credits allowed under this section.

- (d) As used in this section: (1) "Community college" means a community college established under the provisions of the community college act:
- (2) "deferred maintenance" means the maintenance, repair, reconstruction or rehabilitation of a building located at a technical college or a postsecondary educational institution which has been deferred, any utility systems relating to such building, any life-safety upgrades to such building and 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;
- (3) "postsecondary educational institution" means the university of Kansas, Kansas state university of agriculture and applied science, Wichita state university, Emporia state university, Pittsburg state university, Fort Hays state university and Washburn university of Topeka; and
- (4) "technical college" means a technical college as designated pursuant to K.S.A. 72-4472, 72-4473, 72-4474, 72-4475 and 72-4477, and amendments thereto; and
- (5) "technical school" means a technical school which complies with the provisions of K.S.A. 2007 Supp. 72-4479, and amendments thereto.
- (e) Any taxpayer not subject to Kansas income, privilege or premiums tax who contributes to a community college, technical college, technical school or postsecondary educational institution, hereinafter designated the transferor, may sell, assign, convey or otherwise transfer tax credits allowed and earned pursuant to this section. The sale price of a tax credit shall be at least 50% of the full value of the credit. Such credit shall be deemed to be allowed and earned by any such taxpayer which is only disqualified therefrom by reason of not being subject to such Kansas taxes. The taxpayer acquiring earned credits, hereinafter designated the transferee, may use the amount of the acquired credits to offset up to 100% of the taxpayer's income, privilege or premiums tax liability for the taxable year in which such acquisition was made. Such credits may be sold or transferred only one time and, if sold or transferred, shall be transferred in the tax year such credit is earned or the two successive tax years. A transferred credit shall be claimed in the year purchased. The transferor shall enter into a written agreement with the transferee establishing the terms and conditions of the sale or transfer and shall perfect such transfer by notifying the secretary of revenue in writing within 30 calendar days following the effective date of the transfer, subject to the review and approval or denial of such transfer by the secretary of revenue. The transferor and transferee shall provide any information pertaining to

the sale or transfer as may be required by the secretary of revenue to administer and carry out the provisions of this section. The amount received by the transferor of such tax credit shall be taxable as income of the transferor, and the excess of the value of such credit over the amount paid by the transferee for such credit shall be taxable as income of the transferee.

- (f) The secretary of revenue shall submit an annual report to the legislature to assist the legislature in the evaluation of the utilization of any credits claimed pursuant to this act, including information specific as to each community college, technical college, technical school or postsecondary educational institution. Such report shall be due on or before the first day of the legislative session following the tax year in which the credits were claimed.
- (g) The secretary of revenue shall adopt rules and regulations necessary to administer the provisions of this section.
- New Sec. 6. (a) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the deferred maintenance support fund of each state educational institution interest earnings based on:
- (1) The average daily balance of moneys in each clearing fund of the state educational institution for the preceding month; and
- (2) the net earnings rate of the pooled money investment portfolio for the preceding month.
- (b) All moneys transferred to the deferred maintenance support fund pursuant to this section shall be expended solely to finance infrastructure improvement projects as defined by K.S.A. 2007 Supp. 76-7,102, and amendments thereto.
- (c) As used in this section, "clearing fund of the state educational institution" means those special revenue funds in the state treasury which are designated as clearing funds, other than service clearing funds under K.S.A. 76-755, and amendments thereto, of a state educational institution, as defined in K.S.A. 76-711, and amendments thereto, by the chief executive officer of the state board of regents.
- New Sec. 7. (a) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the deferred maintenance support fund of each state educational institution interest earnings based on:
- (1) The average daily balance of moneys in each health fee fund for the preceding month; and
- (2) the net earnings rate of the pooled money investment portfolio for the preceding month.
 - (b) All moneys transferred to the deferred maintenance support

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fund pursuant to this section shall be expended solely to finance infrastructure improvement projects as defined by K.S.A. 2007 3 Supp. 76-7,102, and amendments thereto.

- (c) As used in this section, "health fee fund" means the university of Kansas health service fund, Kansas state university student health fees fund, Emporia state university student health fees fund, Pittsburg state university hospital and student health fees fund and Fort Hays state university health fees fund.
- Sec. 8. K.S.A. 76-755 is hereby amended to read as follows: 76-755. (a) There is hereby established in the state treasury a service clearing fund for each state educational institution.
 - (b) The service clearing fund at a state educational institution shall be used only as a working capital fund to finance the internal service activities rendered to the state educational institution's own departments, other institutional related organizations and specific organizations and classes of individuals approved by the state board of regents, which activities are specified in appropriations acts for the service clearing fund or which are authorized for the service clearing fund by the state board of regents with the approval of the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c, and amendments thereto.
 - (c) The director of accounts and reports shall approve the accounting procedures to be used for service clearing funds to insure a self-supporting operation of each service clearing fund.
 - (d) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the deferred maintenance support fund of each state educational institution interest earnings based on:
 - (1) The average daily balance of moneys in the service clearing fund of the state educational institution for the preceding month; and
 - (2) the net earnings rate of the pooled money investment portfolio for the preceding month.
 - (e) All moneys transferred to the deferred maintenance support fund pursuant to this section shall be expended solely to finance infrastructure improvement projects as defined by K.S.A. 2007 Supp. 76-7,102, and amendments thereto.
- 39 Sec. 6. 9. K.S.A. 76-755 and K.S.A. 2007 Supp. 72-4479, 76-7,105, 40 76-7,117, 76-7,120 and 79-32,261 are hereby repealed.
- Sec. 7. 10. This act shall take effect and be in force from and after 41 its publication in the statute book.