

To: House Taxation Committee

From: Jim Genandt, President

Kansas Technical Colleges

Date: February 23, 2021

Re: House Bill 2315 – Providing for a tax credit for contributions to technical colleges

Chairman Smith and members of the committee, thank you for the opportunity to discuss with you the request from the Kansas Technical Colleges for a tax credit program. Our proposal would result in a rapid return on investment directly strengthening workforce education and economic development in many areas of Kansas. It would provide an incentive for business and industry partners to increase their support of technical colleges in delivering an educated and trained workforce at this crucial time.

We are requesting consideration and support for a tax credit program for the technical colleges (Flint Hills Technical College, Manhattan Area Technical College, North Central Kansas Technical College, Northwest Kansas Technical College, Salina Area Technical College, Washburn Institute of Technology, and Wichita State University-Tech) providing up to \$500,000 per year for five years per institution for the specific purpose of obtaining donations for capital outlay projects in exchange for a tax credit voucher. Such a program would strengthen each of the institutions and their ability to capture donors (individuals and businesses), obtain needed resources for capital outlay projects for facilities and equipment vital to their missions, and provide the tax credit incentive.

How we are funded

The six technical colleges and one technical institute in the state have no taxing authority. Our institutions function on an unstable two-legged financial stool with one leg being our students' tuition and fees and the other support from state appropriations. The state's funding formula for technical colleges is structured to provide 66% of revenues to technical colleges from state support, with 33% coming from tuition and fees. The reality is just the opposite, 30% from state support, with the lion's share of the remainder from student tuition and fees. For FY 19 (the most recent year with audited data), Kansas technical colleges received \$21,621,027 in state appropriations. Our members total revenues for that year were \$76,757,017 making the state appropriation only 28%.



What we need

Our needs for functional facilities in which to provide our programs continue unabated. State support for capital for technical colleges presents an even more critical problem as our members work to carry out their mission. We need facilities where we can teach applied skills and we need support to upgrade equipment so the skills we teach skills fill needed of employers in the Kansas. In 1974 your predecessors established a capital outlay fund for what were then technical schools. First funded in 1974 at \$2 million, it has remained at or close to that number, most recently in 2021 the appropriation is \$2.5 million. Adjusted for inflation, the fund should be much closer to \$11 million, and that is without taking in to account the growth and relevance of training a skilled workforce today.

Why a tax credit and not a direct increase in appropriations from the state?

We believe a tax credit established just for technical colleges, places the burden squarely on our members to create partnerships with business and industry willing to participate in this program. Enhancing our connection to business and industry will only help us deliver the skilled workforce they need. This proposal restricts the use of the tax credits to “capital improvements, deferred maintenance or the purchase of technology or equipment” which is exactly where our members need the most help. The cost to the state if every member was able to partner for the maximum per college of \$500,000.00 per year, is \$3.5 million per year, a maximum of \$17.5 million in tax credits over five years.

Is this a good investment for Kansas?

Each of our member colleges commissioned an updated economic impact report from EMSI, a nationally recognized leader for such data. The overall economic impact and relationship to jobs supported for the 2017-2018 technical college student cohort and institutional budget/operations:

| <u>Institution</u> | <u>Economic Impact 2017-18</u> | <u>Jobs Equivalency</u> |
|--|--------------------------------|-------------------------|
| Flint Hills Technical College | \$ 13.9 million | 251 |
| Manhattan Area Technical College | \$ 14.1 million | 310 |
| North Central Kansas Technical College | \$ 30.7 million | 614 |
| Northwest Kansas Technical College | \$ 16 million | 333 |
| Salina Area Technical College | \$ 9.7 million | 245 |
| Washburn Institute of Technology | \$ 15.9 million | 320 |
| Wichita State University-Tech | \$280 million | 4,860 |
| <i>Total</i> | <i>\$380.3 million</i> | <i>6,933</i> |



Total funding to the technical colleges from the state is \$21,621,027. The annual economic impact of the technical colleges is \$380 million, **17 times more than the annual state appropriation!**

All seven Kansas Technical Colleges rank in the top 44% nationally for the Net Present Value over 40 years return on investment analysis

- Georgetown University’s Center for Education and Workforce released the nation’s first comprehensive analysis of the return on investment of 4,500 colleges and universities across the nation in late 2019. One component of their analysis was on the *net present value* of a student’s education at an institution, and how that value extended for up to 40 years.

For the state of Kansas, the data was quite informative; here are the top five public institutions (three of the top five are technical colleges):

| <u>Institution</u> | <u>National Rank/4500</u> | <u>Net Present Value over 40 years</u> |
|--|---------------------------|--|
| Washburn Institute of Technology | 502 | \$1,020,000 |
| University of Kansas | 520 | \$1,016,000 |
| Kansas State University | 756 | \$ 951,000 |
| Manhattan Area Technical College | 776 | \$ 947,000 |
| North Central Kansas Technical College | 845 | \$ 932,000 |

Impact of the Kansas Technical Colleges with the Kansas Economy

Enrollment data from KBOR demonstrates the growth of the technical colleges. For full-time equivalency, enrollment in the technical colleges increased by almost 3% from fall 2018 to fall 2019, over a five-year period (2014-2019) the FTE enrollment for the technical colleges grew by almost 25%! The fall 2020/spring 2021 semester enrollments have decreased due to COVID. For many of the institutions the decrease fell in enrollment of secondary students due to the varied scheduling changes, COVID protocols of the high schools, and related issues. For headcount enrollment, technical colleges grew 5.67% from 2018-2019, and the five-year average for headcount enrollment grew by more than 42%! (The other higher education sectors had decreases in both categories.)

Excel in CTE is certainly a major contributor to the enrollment growth. Enrollment in Excel in CTE has increased statewide by 62% since 2014 for the participating community and technical colleges. Credit hour production within Excel in CTE has increased by 69% during the same five



years, and credentials earned increased by 27%. (KBOR Excel in Career Technical Education Initiative, October 2019)

Kansas Technical Colleges Performance – A little know success story.

- KBOR Student Success Index

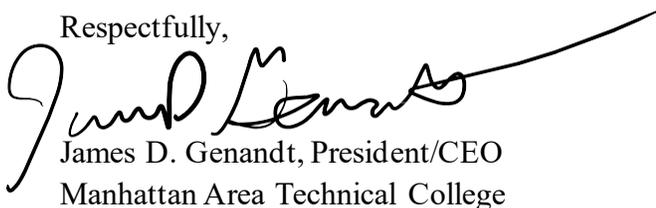
The completion rate for students in the technical colleges has ranged from 60-79% for the past ten years. The rate was higher a decade ago when the job market was not as strong. The percentage of completers has dropped, often because of an employer hiring them out of program internships or clinicals, due to the strong job market. Employers have increased job offers to our students as interns when they see the skill level already being demonstrated. Even taking this practice into account, more than 2/3 of technical college students complete, transfer, or continue their education. This performance exceeds the same measurement of the community colleges.

- Percentage of Graduates Employed in Kansas & Average Wages

KBOR tracks this data several ways, including by cohort year of completion. For the data since 2008, the technical college students demonstrate a 10-15% higher average of employment within Kansas than the community colleges or the entire public higher education system. This holds true with students from more recent cohorts as well.

Chairman Smith and members of the Committee, we encourage you to pass HB 2315 out of committee favorably. Again, thank you for your consideration of the Kansas Technical Colleges!

Respectfully,



James D. Genandt, President/CEO
Manhattan Area Technical College