



**NEUTRAL Testimony on HB 2654
For the House Taxation Committee
March 13, 2018**

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President, Kansas Independent College Association**

Chairman Johnson and members of the committee, thank you for the opportunity to come before you to provide neutral testimony related to House Bill 2654 as it is currently written. While we support the intent of the bill, we believe it needs to be substantially amended to address that intent appropriately.

Kansas' Independent Colleges:

I am the President of the Kansas Independent College Association (KICA). KICA represents the nineteen independent colleges of Kansas, all of whom are not-for-profit institutions of higher education, all of whom offer undergraduate degrees, and all of whom are regionally accredited by the Higher Learning Commission. Among those are the state's oldest institution – Baker University in Baldwin City, founded in 1858 – and the state's youngest non-proprietary institution – MidAmerica Nazarene University in Olathe, founded in 1966.

While we use the word “independent” to describe our colleges and universities, in casual language, one can substitute “private” or “nonprofit.” Each of our institutions are separately governed by their own board of trustees and we are not governed by, coordinated by, or required to obtain further authorization from the Kansas Board of Regents. “Independent” also reflects the fact that our colleges receive no direct institutional funds from the state of Kansas, or from county or local property taxes. The only public funding that typically flows to our colleges comes to us from our students themselves, via student grants and scholarships and federal student aid programs.

This academic year, Kansas' independent colleges and universities are serving 25,246 students. That works out to approximately 12% of the total college student population in Kansas. Last year, our colleges awarded more than 6,300 degrees, including 18% of Kansas' bachelor's degrees, and 22% of the master's degrees.

The nineteen members of the all raise their own funds for construction of educational and health facilities. In FY2017, our institutions raised and spent more than \$47 million on new facilities, all from privately raised sources. These facilities are not built with state dollars, and when our institutions issue bonds to finance such construction, neither the state of Kansas does not pay either the bond principal or interest. Thus, in seventeen cities in Kansas, we are economic engines using non-governmental funds to finance construction of new educational facilities. In fact, according to a 2014 study, the KICA institutions generate nearly \$1 billion in new economic development annually in Kansas. A significant portion of that economic impact derives from our colleges direct operational spending on construction of new facilities.

KCAC (Regional Athletic Conference) vs. KICA (Kansas-Based' Non-profit Colleges):

HB 2654 creates a transferrable income tax credit for up to 20% of the amount spent on construction of health and educational facilities by members of the Kansas Collegiate Athletic Conference (KCAC).

The KCAC is an athletic conference within the National Association of Intercollegiate Athletics (NAIA). However, while the “K” in KCAC stands for “Kansas”, only some of the KCAC conference member institutions are based in Kansas. Among the twelve full members of the KCAC there are two – Oklahoma Wesleyan University (Bartlesville, OK) and York College (York, NE) – who are not based in the state of Kansas. Furthermore, the conference has seven associate members that also are located outside of Kansas:

- Clarke University (Dubuque, IA)
- Columbia College (Columbia, MO)
- Johnson & Wales University (Denver, CO)
- Midland University (Fremont, NE)
- Missouri Valley College (Marshall, MO)
- St. Ambrose University (Davenport, IA)
- University of Jamestown (Jamestown, ND)

The Kansas-based members of the KCAC athletic conference are all members of the KICA, but not the out-of-state institutions. Meanwhile, there are eight other KICA institutions that are accredited, non-profit, and based in Kansas but are not members of the KCAC conference, and thus excluded by the current language of HB 2654:

- Baker University (Baldwin City)
- Central Christian College (McPherson)
- Cleveland University (Overland Park)
- Donnelly College (Kansas City)
- Hesston College (Hesston)
- Manhattan Christian College (Manhattan)
- MidAmerica Nazarene University (Olathe)
- Newman University (Wichita)

And therein lies our concern with HB 2654. If a tax credit for non-profit educational institutions of the nature envisioned in HB 2654 is to be created, we believe strongly that it should meet two minimum criteria:

1. It should only accrue to institutions whose main/headquarters campus is in Kansas
2. It should treat all accredited non-profit colleges of Kansas equally

With that in mind, we cannot support HB 2654 as written. While we strongly endorse the intent and approach that the sponsor has in mind, we cannot support the bill unless applies to all Kansas-based, accredited, non-profit colleges and universities. Possible language to this effect is attached to my testimony.

Thank you for the opportunity to come before you on this issue. I am happy to answer any questions you may have or provide additional data as you request.

HB 2654

Proposed Amendment:

(from Kansas Independent College Association)

Change Section 1 as follows (and re-numbering the subsequent lines accordingly):

5 Section 1. (a) For tax years 2018, 2019 and 2020, there shall be allowed a credit against the tax imposed
6 by the Kansas income tax act in an amount equal to 20% of the amount expended by ~~a member institution of~~
7 ~~the Kansas collegiate athletic conference~~ and any institution of higher education which is (1) owned,
8 operated, and controlled exclusively by a not-for-profit entity or entities; (2) maintains its principal
9 administrative offices within the boundaries of the state of Kansas; (3) educates more than fifty percent of its
10 degree-seeking students at a physical location within the boundaries of the state of Kansas; (4) is accredited
11 by the Higher Learning Commission; and (5) maintains open enrollment as defined by K.S.A. 74-32,120(g) to
12 construct a health or education facility. If the amount of the credit exceeds the taxpayer's income tax liability
13 for such taxable year, the amount thereof that exceeds such tax liability may be carried over for deduction
14 from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of
15 tax credit has been deducted from tax liability.