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Kansas Board of Regents May Increase Oversight of University P3s.

The Kansas Board of Regents may expand its oversight and control over building projects state universities pursue through P3s in response to legislators' objections to the University of Kansas's unorthodox way of obtaining financing for a mixed-use project.

The project in question is the Central District development — consisting of a science building, student housing, a student union, a dining hall, a utility plant and parking — which will be built on its sprawling main campus in Lawrence. A team headed by Edgemoor Infrastructure & Real Estate reached an agreement with the university to develop, finance, build, operate and maintain the project, which is scheduled for completion by summer 2018.

The university agreed to lease the property to the corporation for up to 40 years. Once construction is complete, the corporation will sublease the facilities back to the university, which will make an annual sublease payment of about \$21.5 million plus operating costs, reported the Lawrence Journal-World last year.

However, the university decided not to go through the state's bonding agency to obtain its portion of the financing, which would have required legislative approval. Instead, the school formed a private, nonprofit corporation, which issued \$320 million in bonds through a Wisconsin public financing agency, the Journal-World reported Aug. 14.

Legislators criticized this move, expressing concern over the lack of legislative oversight and arguing that, because the project is being built on state property, taxpayers would be on the hook if it fails financially. Some lawmakers also expressed concern that the university might raise student tuition fees to pay for the debt the university has incurred, reported The Wichita Eagle.

These concerns led Rep. Mark Hutton to introduce a bill (HB 2703) that would have prohibited state universities and agencies from borrowing or entering into a range of agreements without legislative approval or a hearing. Although the bill died in committee, the legislature attached a proviso to the university's 2016 budget limiting the amount it can spend from previously unrestricted fee funds.

The university dismissed the legislators' concerns, pointing out that the corporation had assumed responsibility for paying the bond debt over a 30-year period using lease payments it will receive from the university. The school also noted that it has been told by the governor and other policymakers over the past few years to act more like a business than it has in the past, in view of the tight budgets the state is confronting.

"We were creative. We operated like a business and we did what institutions across the nation have done: partnered with a private entity and bundled projects together to get a great deal for the families and students of the University of Kansas and for the state of Kansas," said Tim Caboni, the university's vice chancellor for public affairs.

The Board of Regents responded to the controversy by stating it would consider classifying P3

projects as capital improvement projects and as part of each institution's capital projects plan, both of which require board approval, and by requiring universities to obtain board approval when they lease property from an outside entity.

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