H-3978.1

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**SECOND SUBSTITUTE HOUSE BILL 1325**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** House Capital Budget (originally sponsored by Representatives Tharinger, Tarleton, and Jinkins; by request of Office of Financial Management)

AN ACT Relating to the evaluation and prioritization of capital budget projects at the public two-year and four-year institutions of higher education; amending RCW 43.88D.010 and 28B.77.070; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) The office of financial management, in consultation with the legislative fiscal committees, the state board for community and technical colleges, and the public four-year institutions of higher education, shall:

(a) Develop learning space utilization standards for higher education facilities. The standards may include:

(i) Percentage of hours utilized per scheduling window;

(ii) Percentage of seats utilized;

(iii) Square feet per seat; and

(iv) Type of technology utilized in learning spaces.

(b) Develop reasonableness of cost standards for higher education capital projects. The standards may include:

(i) Costs per square feet per type of facility;

(ii) Expected life-cycle costs; and

(iii) Project schedules that result in realistic, balanced, and predictable expenditure patterns over the ensuing three biennia.

(c) Develop a criteria scoring and prioritization matrix for use by four-year higher education institutions and other decision makers to produce single prioritized lists of higher education capital projects that consists of two components:

(i) A numeric rating scale that assesses how well a particular project satisfies higher education capital project criteria; and

(ii) A numeric measure to weigh the importance of those criteria.

(2) The office of financial management shall provide technical assistance to the legislative fiscal committees and the four-year institutions in using the criteria scoring and prioritization matrix developed in subsection (1)(c) of this section.

**Sec.**  RCW 43.88D.010 and 2017 c 52 s 15 are each amended to read as follows:

(1) By October 1st of each even-numbered year, the office of financial management shall complete an objective analysis and scoring of all capital budget projects proposed by the public four-year institutions of higher education and submit the results of the scoring process to the legislative fiscal committees and the four-year institutions. Each project must be reviewed and scored within ((~~one of~~)) the following categories((~~, according to the project's principal purpose~~)). ((~~Each~~)) Projects with more than one categorical component as defined in (a) through (f) of this subsection may be scored in ((~~only~~)) more than one category and weighted as a ratio of costs attributed to that categorical component to total project costs. The categories are:

(a) ((~~Access-related~~)) Growth projects to accommodate enrollment growth at ((~~all~~)) higher education campuses, at existing or new university centers, or through distance learning. Growth projects should provide significant additional student capacity to increase program access. Proposed projects must demonstrate that they are based on solid enrollment demand projections, ((~~more cost-effectively~~)) provide more cost-effective enrollment access than alternatives such as university centers and distance learning, and make cost-effective use of existing and proposed new space;

(b) Projects that replace failing permanent buildings or projects that cannot be economically renovated are replacement projects. ((~~Facilities that cannot be economically renovated are considered replacement projects. New space may be programmed for the same or a different use than the space being replaced and may include additions to improve access and enhance the relationship of program or support~~)) Replaced facilities must either be demolished or removed from the inventory of learning space;

(c) Projects that renovate or modernize facilities to restore building life and upgrade space to meet current program requirements are renovation projects. Renovation projects should represent a complete renovation of a total facility or an isolated wing of a facility. A reasonable renovation project should cost between sixty to eighty percent of current replacement value and restore the renovated area to at least ((~~twenty-five~~)) thirty years of useful life((~~. New space may be programmed for the same or a different use than the space being renovated and may include additions to improve access and enhance the relationship of program or support space~~));

(d) Major stand-alone campus infrastructure projects. Projects scored under other categories with significant campus infrastructure costs may also include scoring in this category;

(e) Projects that promote economic growth and innovation through expanded research activity. The acquisition and installation of specialized equipment is authorized under this category; and

(f) Other project categories as determined by the office of financial management in consultation with the legislative fiscal committees.

(2) The office of financial management, in consultation with the legislative fiscal committees, shall establish a scoring system and process for each four-year project category ((~~that is based on the framework used in the community and technical college system of prioritization~~)). Staff from the state board for community and technical colleges and the four-year institutions shall provide technical assistance on the development of a scoring system and process.

(3) The office of financial management shall consult with the legislative fiscal committees in developing the criteria and the scoring methodology of four-year institution project proposals, and may also solicit participation by independent experts((~~.~~)) in consideration of the following:

(a) For each four-year project category, the scoring system must((~~, at a minimum, include~~)) establish criteria including, but not limited to, an evaluation of enrollment trends, reasonableness of cost, the ability of the project to enhance specific strategic master plan goals, age and condition of the facility if applicable, ((~~and~~)) impact on learning space utilization, and other criteria as determined by the office of financial management in consultation with the legislative fiscal committees.

(b) ((~~Each four-year project category may include projects at the predesign, design, or construction funding phase.~~

~~(c)~~)) To the extent possible, the objective analysis and scoring system of all capital budget projects shall occur within the context of any and all performance agreements between the office of financial management and the governing board of a public, four-year institution of higher education that aligns goals, priorities, desired outcomes, flexibility, institutional mission, transparency and accountability, and levels of resources.

(4) ((~~In evaluating and scoring four-year institution projects, the office of financial management shall take into consideration project schedules that result in realistic, balanced, and predictable expenditure patterns over the ensuing three biennia.~~

~~(5)~~)) The office of financial management shall distribute common definitions, the scoring system, and other information and forms required for the project proposal and scoring process as part of its biennial budget instructions. The office of financial management, in consultation with the legislative fiscal committees, shall develop common definitions that four-year institutions must use in developing their project proposals and lists under this section.

((~~(6)~~)) (5) In developing any scoring system for capital projects proposed by the four-year institutions, the office of financial management:

(a) Shall be provided with all required information by the four-year institutions as deemed necessary by the office of financial management; and

(b) May utilize independent services to verify, sample, or evaluate information provided to the office of financial management by the four-year institutions((~~; and~~

~~(c) Shall have full access to all data maintained by the joint legislative audit and review committee concerning the condition of higher education facilities~~)).

((~~(7)~~)) (6) Pursuant to subsection (5)(a) of this section, by August ((~~1st~~)) 15th of each even-numbered year each public four-year higher education institution shall prepare and submit ((~~prioritized lists of the individual projects proposed by the institution for the ensuing six-year period in each category. The lists must be submitted to the office of financial management and the legislative fiscal committees. The four-year institutions may aggregate minor works project proposals by primary purpose for ranking purposes. Proposed minor works projects must be prioritized within the aggregated proposal, and supporting documentation, including project descriptions and cost estimates, must be provided~~)) to the office of financial management and the legislative fiscal committees:

(a) Individual project proposals developed pursuant to subsection (1) of this section;

(b) Individual project proposals scored in prior biennia pursuant to subsection (1) of this section; and

(c) A prioritized list of up to five project proposals submitted pursuant to (a) and (b) of this subsection.

**Sec.**  RCW 28B.77.070 and 2012 c 229 s 110 are each amended to read as follows:

(1) The council shall identify budget priorities and levels of funding for higher education, including the two and four-year institutions of higher education and state financial aid programs. It is the intent of the legislature for the council to make budget recommendations for allocations for major policy changes in accordance with priorities set forth in the ten-year ((~~plan~~)) roadmap as defined in RCW 28B.77.020, but the legislature does not intend for the council to review and make recommendations on individual institutional budgets. It is the intent of the legislature that recommendations from the council prioritize funding needs for the overall system of higher education in accordance with priorities set forth in the ten-year ((~~plan~~)) roadmap. It is also the intent of the legislature that the council's recommendations take into consideration the total per-student funding at similar public institutions of higher education in the global challenge states.

(2) By December of each odd-numbered year, the council shall outline the council's fiscal priorities under the ten-year ((~~plan~~)) roadmap that it must distribute to the institutions, the state board for community and technical colleges, the office of financial management, and the joint higher education committee.

((~~(a) Capital budget outlines for the two-year institutions shall be submitted to the office of financial management by August 15th of each even-numbered year, and shall include the prioritized ranking of the capital projects being requested, a description of each capital project, and the amount and fund source being requested.~~

~~(b) Capital budget outlines for the four-year institutions must be submitted to the office of financial management by August 15th of each even-numbered year, and must include: The institutions' priority ranking of the project; the capital budget category within which the project will be submitted to the office of financial management in accordance with RCW 43.88D.010; a description of each capital project; and the amount and fund source being requested.~~

~~(c) The office of financial management shall reference these reporting requirements in its budget instructions.~~))

(3) The council shall submit recommendations on the operating budget priorities to support the ten-year ((~~plan~~)) roadmap to the office of financial management by October 1st each year, and to the legislature by January 1st each year.

((~~(4)(a) The office of financial management shall develop one prioritized list of capital projects for the legislature to consider that includes all of the projects requested by the four~~‑~~year institutions of higher education that were scored by the office of financial management pursuant to chapter 43.88D RCW, including projects that were previously scored but not funded. The prioritized list of capital projects shall be based on the following priorities in the following order:~~

~~(i) Office of financial management scores pursuant to chapter 43.88D RCW;~~

~~(ii) Preserving assets;~~

~~(iii) Degree production; and~~

~~(iv) Maximizing efficient use of instructional space.~~

~~(b) The office of financial management shall include all of the capital projects requested by the four~~‑~~year institutions of higher education, except for the minor works projects, in the prioritized list of capital projects provided to the legislature.~~

~~(c) The form of the prioritized list for capital projects requested by the four~~‑~~year institutions of higher education shall be provided as one list, ranked in priority order with the highest priority project ranked number "1" through the lowest priority project numbered last. The ranking for the prioritized list of capital projects may not:~~

~~(i) Include subpriorities;~~

~~(ii) Be organized by category;~~

~~(iii) Assume any state bond or building account biennial funding level to prioritize the list; or~~

~~(iv) Assume any specific share of projects by institution in the priority list.~~

~~(5) Institutions and the state board for community and technical colleges shall submit any supplemental capital budget requests and revisions to the office of financial management by November 1st and to the legislature by January 1st.~~))

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