

HOUSE BILL REPORT

SSB 6355

As Passed House - Amended:

March 10, 2010

Title: An act relating to expanding the higher education system upon proven demand.

Brief Description: Expanding the higher education system upon proven demand.

Sponsors: Senate Committee on Higher Education & Workforce Development (originally sponsored by Senators Kilmer, Becker, Rockefeller and Shin).

Brief History:

Committee Activity:

Higher Education: 2/17/10, 2/23/10 [DPA].

Floor Activity:

Passed House - Amended: 3/2/10, 96-0.

Senate Refuses to Concur.

House Amended.

Passed House: 3/10/10, 97-0.

Brief Summary of Substitute Bill

- Endorses the System Design Plan approved by the Higher Education Coordinating Board (HECB).
- Defines "major expansion" and "mission change" and requires the HECB to evaluate proposed major expansions or mission changes and present recommendations to the Governor and the Legislature.
- Requires the HECB to consider, in the needs assessment process, recommendations from the Technology Transformation Task Force and institutions of higher education regarding the strategic and operational use of technology.
- Removes applied baccalaureate degrees from pilot status and removes statutory limitations on the number of such programs of study that may be offered.
- Makes changes to the Washington Fund for Innovation and Quality: (1) making the HECB the lead entity; (2) eliminating the two-year time limit on grants; (3) providing additional direction with respect to grants for improving

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the use of technology; and (4) allowing grants to be awarded to private nonprofit institutions of higher education, in addition to public institutions and consortia of institutions, to encourage programs designed to address specific system problems.

- Authorizes the University of Washington to establish an alternative special public works roster process for awarding contracts for construction and renovation of university buildings in which critical patient care or highly specialized medical research is located.
- Makes changes to the process for submitting, scoring, and prioritizing capital budget requests from the four-year higher education institutions.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended. Signed by 10 members: Representatives Wallace, Chair; Sells, Vice Chair; Anderson, Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Angel, Carlyle, Driscoll, Haler, Hasegawa and White.

Staff: Cece Clynch (786-7195).

Background:

Higher Education Coordinating Board – System Design Plan.

In 2009 the Legislature tasked the Higher Education Coordinating Board (HECB) with conducting a system design planning project aimed at defining how the current higher education delivery system could be shaped and expanded to meet the needs of citizens and businesses for high quality and accessible post-secondary education. Washington's last comprehensive study – *Building a System: Foundation Elements (1989)* – laid the groundwork for construction of the branch campuses and defined the territory of existing institutions, as well as other system policies. Thereafter, other studies were conducted to determine regional needs in areas like Skagit, Snohomish, and Island Counties and the Kitsap Peninsula, but no additional comprehensive study was undertaken until the 2009 *System Design Plan*.

Completed in late 2009, the *System Design Plan*'s recommendations are based upon extensive data analysis and seven months of work by a system design group made up of state partner agencies. Numerous meetings also were held to discuss ideas with presidents and provosts of all public universities and several independent institutions.

The *System Design Plan* provides a framework for making decisions about how to reach the goal of increasing educational attainment in Washington. Specifically, the plan recommends pathways for expanding system capacity, recruiting and supporting a new generation of college students, increasing efficiency, and emphasizing accountability.

Expand on Demand Concept.

Included in the *System Design Plan* is a new growth management policy to determine when and where new capital expenditures are warranted. The policy is labeled "expand on

demand" and predicates expansion to new sites or new missions requiring substantial new capital expenditures on the concept that capacity should follow demand.

Under this framework, institutions and/or communities would submit proposals – either developed at their own initiative or in response to the HECB-initiated requests for proposals – to identify under-served regions and populations or high-need program areas requiring capital investment. The HECB would then evaluate the proposals and make a recommendation to the Legislature. In other words, institutional growth requiring new capital expenditures would be approved by the HECB and the Legislature only after a set of external criteria had been met.

Other less-expensive expansion projects, such as growing university centers in leased facilities and developing new teaching sites, would be accomplished through regular budget and program approval processes.

University of Washington Public Works Process.

The University of Washington (UW) must competitively bid public works projects that are estimated to cost:

- in excess of \$45,000, if the work involves one trade or craft area; or
- in excess of \$60,000, if multiple trades or craft areas are involved.

Generally, procedures require that complete plans and specifications be drawn, the project be advertised, and sealed bids be submitted and opened in public. Projects estimated under these dollar amounts may be contracted without a competitive bid or may be performed by employees.

One method of competitive bidding that may be used for projects estimated at \$300,000 or less is the small works roster process. Under that procedure, a single roster of potential contractors may be created or different rosters for contractors of different specialties or categories of anticipated work. In addition, distinctions may be made between contractors based on geographic areas. The agency or local government may solicit bids from all appropriate contractors on the roster, but a minimum of five bids must be solicited. The contract, if awarded, is awarded to the lowest responsible bidder. An effort must be made to equitably distribute the opportunity among contractors on the appropriate roster if bids are solicited from less than all contractors on the roster.

Capital Requests.

Washington adopts a biennial capital budget each odd-numbered year, appropriating moneys for a variety of capital projects and programs. State agencies, including higher education institutions, prepare and submit budget requests to the Office of Financial Management (OFM) in the fall of each even-numbered year for consideration in the biennial capital budget. The Governor evaluates the requests and submits a proposed budget to the Legislature prior to the legislative session.

Four-Year Institutions' Capital Projects.

Washington has six public four-year institutions of higher education. By August 15 of each even-numbered year, each of the four-year institutions must prepare and submit, to the Office of Financial Management (OFM), prioritized lists of proposed capital projects in each one of five categories: (1) accommodation of enrollment growth; (2) replacement of failing buildings; (3) infrastructure; (4) research expansion; and (5) other project categories as determined by the OFM.

On a pilot basis, one research university was required to prepare and submit two separate lists for each category, one for the main campus and one for the branch campus. The OFM reported on this pilot project by December 1, 2009.

By October 15 of each even-numbered year, the OFM must complete an objective analysis and scoring of all capital budget projects proposed by the four-year institutions. In so doing, the OFM may consult the Joint Legislative Audit and Review Committee (JLARC) and independent experts. The OFM must submit the results of the scoring process to the legislative fiscal committees, the HECB, and the four-year institutions. Each project must be reviewed and scored within one, and only one, of the above refinanced categories.

By August 15 of each even-numbered year, each of the four-year institutions must also submit a capital budget outline to the HECB, including the institution's ranking of the project and the category within which the project will be submitted to the OFM. The HECB reviews and evaluates the capital budget requests based on how the requests align with the HECB's budget priorities, the missions of the institutions, and the state's strategic master plan for higher education.

The HECB submits recommendations for the four-year institutions to the OFM by January 1 of each odd-numbered year. The HECB's recommendations must include a recommendation regarding the relative share of the higher education capital budget that should be assigned to each project category.

Summary of Bill:

System Design and Expand on Demand.

The Legislature finds that the strategies outlined in the *System Design Plan* support the concept of expand on demand and would increase degree production by first using existing capacity while also providing long-term strategies to guide significant future growth and expansion. The Legislature endorses the plan approved by the HECB and adopts the recommendations and strategies in the *System Design Plan*.

A "mission change" is defined as a change in the level of degree awarded or institutional type not currently authorized in statute. "Major expansion" means expansion of the system that requires significant new capital investment. It does not include significant expansion of existing campuses, branches, or centers but does include conversions that result in a mission change.

Mission changes and major expansions are subject to approval by the HECB. Gaining the HECB approval is a two-step process. First, a needs assessment process is conducted to analyze the need for the proposed change. If the need is established, the HECB next proceeds to examine the viability of the proposed mission change or major expansion. The HECB's recommendations to proceed with a proposed change, proceed with modifications, or not proceed are presented to the Legislature and the Governor. Recommendations regarding existing capital prioritization processes are not within the HECB's purview.

The applied baccalaureate degree is no longer considered a pilot project, and references to pilot status are removed. The limitation on the number of applied baccalaureate degree programs is also eliminated. Community and technical colleges may apply to the State Board for Community and Technical Colleges (SBCTC) to develop and offer applied baccalaureate degree programs and may enroll students in upper-division courses after approval by the SBCTC and the HECB.

The HECB is identified as the lead entity for purposes of the Washington Fund for Innovation and Quality in Higher Education and makes awards in collaboration with the SBCTC and other local and regional entities. Grants may be awarded to private nonprofit institutions, as well as state public institutions of higher education or consortia of institutions. The two-year time limitation on these grants is eliminated. The HECB is not required to establish review committees to assist in proposal evaluation. The superfluous guidelines applicable only to the 1999-01 biennium are eliminated.

Higher Education Capital Requests.

The date by which the six four-year institutions must submit their prioritized lists to the OFM and the legislative fiscal committees is changed from August 15 to August 1 of each even-numbered year.

The provisions applicable to the pilot project, under which one research university submitted two lists and the OFM reported to the Legislature on the pilot project by December of 2009, are removed. Also removed are the references to consultation by the OFM with the JLARC.

The date by which the OFM must complete an analysis and scoring is moved up from October 15 to October 1 of each even-numbered year.

A sixth category under which the projects are to be scored is added: renovations to restore building life and upgrade space to meet current program requirements.

The date by which the HECB's capital budget recommendations are due to the Legislature is moved from January 1 of odd-numbered years to November 15 of even-numbered years. The HECB is directed to submit a single, prioritized list of the major projects that the board recommends be funded with state bond and building account appropriations during the biennium. In developing this single prioritized list, the board must:

- seek to identify the combination of projects that will most cost-effectively achieve the state's goals. These goals include increasing degree production, particularly in high-demand fields; promoting economic development through research and innovation;

providing quality, affordable educational environments; preserving existing assets; and maximizing the efficient utilization of instructional space;

- be guided by the analysis and scoring completed by the OFM; and

anticipate that state bond and building account appropriations continue at the same level, that major projects funded for design in one biennium are funded for construction during the next biennium, and that minor health, safety, and preservation projects are funded at the same average level as in recent biennia before state appropriations are provided for new major projects.

University of Washington Special Public Works Roster.

The University of Washington is authorized to establish an alternative special public works roster process for awarding contracts for construction, building, renovation, remodeling, alteration, repair, or improvement of university buildings and facilities in which critical patient care or highly specialized medical research is located. Annual reports to the Capital Projects Advisory Review Board are required, beginning in September of 2010. The alternative process terminates June 30, 2015.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Two years ago, the Legislature blessed the Master Plan. The Master Plan recognized that to be competitive, the state must produce more degrees. Then the question was: how to do that? The *System Design Plan* has been a good process and the HECB should be commended for this. This bill flows from that plan and lays out rational rules for expanding on demand. The applied baccalaureate piece is a very important part of this bill. This bill is identical to the version that passed the House Higher Education Committee. It contains a good set of strategies and the coalition supports these strategies. There is agreement with respect to the goal and the conclusions. University centers and applied baccalaureates are important components of the system. The work called for in this bill is the type of work that the HECB does and the HECB already has the staff and the expertise. The only possible new cost would be if the Legislature chose to fund the Fund for Innovation but that is entirely up to the Legislature and such funding is not part of this bill. This is a policy bill that identifies strategies. It lays out a strategy for growth, and provides a roadmap that says if there is growth, this is how it should occur. Applied baccalaureates provide a valuable option for students. These degrees can save money and time. Sometimes, a student with a technical degree wants to go on to get a baccalaureate and sometimes a student with a baccalaureate wants to go back for a technical degree rather than another baccalaureate. Many place-bound students would not be able to get a four-year degree any other way.

(In support with concerns) On page 5, lines 3 and 4, the following should be deleted from the definition of major expansion: "or significant expansion of existing campuses, branches, or

centers." There is no definition of significant expansion. Currently, there is already a process in place through the Office of Financial Management (OFM) when there is a need for a new building. If a new building constituted major expansion under this bill, that would add a lengthy and duplicative process. Sticking with the OFM process is preferable. The language on page 8, lines 33 through 35 should not be stricken but should remain because strong priority should be given to proposals that involve more than one sector of education, and to proposals that show substantive institutional commitment.

(Opposed) None.

Persons Testifying: (In support) Senator Kilmer, prime sponsor; Maddy Thompson, Workforce Training and Education Coordinating Board; Ann Daley, Higher Education and Coordinating Board; Jan Yoshiwara, State Board for Community and Technical Colleges; Malcolm Grothe, South Seattle Community College; and Mike Hudson.

(In support with concerns) Ann Anderson, Central Washington University.

Persons Signed In To Testify But Not Testifying: None.