

# SENATE BILL REPORT

## SHB 2736

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As Reported By Senate Committee On:  
Higher Education, February 28, 2002  
Ways & Means, March 1, 2002

**Title:** An act relating to research by state universities.

**Brief Description:** Authorizing the University of Washington and Washington State University to make financing arrangements for research facilities.

**Sponsors:** House Committee on Capital Budget (originally sponsored by Representatives Murray, Esser, McIntire, Lantz, Jarrett, Ogden, Lysen, Chase, Haigh and Kenney; by request of University of Washington).

**Brief History:**

**Committee Activity:** Higher Education: 2/26/02, 2/28/02 [DPA-WM].  
Ways & Means: 3/1/02 [DPA (HIE)].

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### SENATE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.  
Signed by Senators Kohl-Welles, Chair; Shin, Vice Chair; Carlson, Horn, Jacobsen, McAuliffe, Parlette, Sheahan and B. Sheldon.

**Staff:** Heather Lewis-Lechner (786-7448)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Higher Education.  
Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Honeyford, Kohl-Welles, Long, Parlette, Poulsen, Rasmussen, B. Sheldon, Snyder, Spanel and Thibaudeau.

**Staff:** Karen Barrett (786-7711)

**Background:** Generally, new capital facilities for all state agencies and higher education institutions must be specifically approved by the Legislature. The Legislature has authorized the regents and trustees of the four-year public higher education institutions to issue revenue bonds and other debt to finance certain types of capital facilities without specific legislative approval. This includes financing student housing, dining halls, parking, and facilities for student activities. Typically the bond-holders are secured only by the university's revenues from the facilities financed by the bonds; these are not general obligations of the state.

In the case of finance contracts, the regents and trustees may enter into financing contracts but must provide notice to the State Finance Committee and the contract is subject to the

approval of the committee. The state may not enter into financing contracts if the aggregate principal amount payable under the contract exceeds a threshold amount set from time to time by the State Finance Committee.

The University of Washington (UW) and Washington State University (WSU) are considered research institutions, which means faculty and students do a significant amount of basic and applied research in addition to traditional academic programs. The UW receives about \$700 million in research grants annually, while WSU receives about \$100 million annually. When a university receives research grants, it also receives an additional amount to cover costs associated with the grant. Generally, about half of the indirect costs actually recovered are applied to administrative expenses and half to support facilities; that is, the maintenance, utilities, and alterations to customize space for research personnel, research equipment, and interest payments if such capital improvements are financed over a long-term period.

**Summary of Amended Bill:** The UW and WSU are authorized to own and finance research facilities and related equipment supported by the fees and revenues each university receives from these research activities. The universities are also authorized to lease facilities for research purposes, and to lease out research facilities to non-university persons provided that rental income is received by the university or that opportunities for public-private research are provided.

These business transactions do not require prior notice or approval by the State Finance Committee and are not subject to the threshold limit set by the committee.

In financing the facilities and equipment under this chapter, the regents must consider the maintenance and operating costs of the research facility and related equipment. State-appropriated funds cannot be used for maintenance and operating expenses of these facilities or the grant supported research activities housed in these facilities. If funding for the research grants or contracts housed in these facilities is reduced or eliminated, there will be no state general fund obligation created. The universities must report annually to the Legislature on the financing of research facilities under the authority provided by this bill.

**Amended Bill Compared to Substitute Bill:** A technical amendment was made to correct a reference to an article in the Washington Constitution. A statement is also added to clarify that no state funds will be used for research activities that are housed in the facilities financed under this chapter and that if the grant funding used for the research activities housed in those facilities is reduced or eliminated, there will be no state general fund obligation for FTE's or other related costs.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Adequate facilities are crucial for the research mission of the universities and this bill provides the universities with a way to accomplish their mission more effectively. This bill gives the university the ability to act quickly and pledge resources without having to wait for legislative approval. There is virtually no capital money available at the current

time for research projects; this bill would create a new option for universities by allowing them to issue revenue bonds to build the needed research facilities without asking for limited state funds. Space needs are beginning to limit the potential for new research grants and this limitation could hurt the university's ability to remain one of the top research universities in the country. Research is a growth opportunity in many areas. It benefits the economy by bringing in business and jobs, benefits the students by providing more educational opportunities, and helps the university recruit and keep faculty.

**Testimony Against:** None.

**Testified:** PRO: Scott Davies, Harlan Patterson, Dick Thompson, UW; Paul Vronsky, ASUW; Larry Ganders, WSU.