

HOUSE BILL REPORT

HB 1325

As Reported by House Committee On: Capital Budget

Title: An act relating to the evaluation and prioritization of capital budget projects at the public two-year and four-year institutions of higher education.

Brief Description: Concerning the evaluation and prioritization of capital budget projects at the public two-year and four-year institutions of higher education.

Sponsors: Representatives Tharinger, Tarleton and Jinkins; by request of Office of Financial Management.

Brief History:

Committee Activity:

Capital Budget: 2/3/17, 2/23/17 [DPS], 1/23/18, 1/30/18 [DP2S].

Brief Summary of Second Substitute Bill

- Requires the Office of Financial Management (OFM) to develop learning space utilization standards, reasonableness of cost standards, a scoring and prioritization matrix for capital facilities projects at higher education institutions (HEI), and provide technical assistance to the legislative fiscal committees and four-year HEI in using the scoring and prioritization matrix.
- Allows the OFM to score and weigh, by ratio of categorical costs to total costs, HEI capital project proposals based on a scoring process by capital project category, or combination of categories.
- Makes technical changes to project category definitions and scoring criteria.
- Replaces the requirement of four-year and two-year HEI to submit prioritized lists of capital projects to the OFM with a requirement for four-year HEI to submit project proposals to be scored, or project proposals that have been scored in previous biennia, and to prioritize up to five of those projects.
- Removes requirements for the OFM to produce a single, prioritized list for the Legislature to consider, and the criteria by which the list must be prioritized.
- Eliminates duplicative language.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 16 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; DeBolt, Ranking Minority Member; Dye, Eslick, Kraft, Macri, Morris, Reeves, Riccelli, Ryu, Sells, Steele, Stonier and Walsh.

Staff: Christine Thomas (786-7142).

Background:

In 2003 the Legislature directed the Council of Presidents and the Higher Education Coordinating Board (HECB) to develop a method to guide capital appropriation decisions by rating and individually ranking all major capital projects for public four-year institutions of higher education. The resulting list of ranked projects was to be approved by the governing boards of each four-year institution.

In 2005 the Legislature provided additional guidance to refine the method used for the ranking of four-year institutions construction project requests. Greater emphasis was placed on early critical review of project proposals. Scoring and ranking of projects could not be based on assigning an equal number of overall points to each four-year institution. The ranking was to address statewide priorities, and the process was to use a facility condition index established by the Joint Legislative Audit and Review Committee.

In 2008 legislation further modified the prioritization process by requiring the Office of Financial Management (OFM) to complete an analysis, and score all four-year institution construction projects. Each of the proposed projects are scored within a single project category according to its primary purpose. The seven project categories are: predesign; enrollment growth; replacement and renovation; major campus infrastructure; research projects that promote economic growth and innovation; land acquisition; and other project categories as determined by the OFM and the legislative fiscal committees.

In 2011 legislation replaced the HECB with the Washington Student Achievement Council (WSAC). The 2011 legislation also made further changes to the four-year scoring process and required the OFM, and not the WSAC, to rank major capital projects at the four-year institutions in a single list in priority order. The legislation directed the WSAC to identify a combination of projects that will most cost-effectively achieve the state's goals. These goals include:

1. increasing baccalaureate and graduate degree production, particularly in high-demand fields;
2. promoting economic development through research and innovation;
3. providing quality, affordable educational environments;
4. preserving existing assets; and
5. maximizing the efficient utilization of instructional space.

The OFM is also required to assume that the overall funding level of the prioritized list remains the same as the level of funding provided by the Legislature in the previous biennium.

In 2015 the Legislature included a provision in the 2015-17 Capital Budget that directed the OFM to form a four-year prioritized capital project list technical workgroup with staff from the Office of Program Research, Senate Committee Services, the four-year institutions, and the Council of Presidents. The workgroup reported its findings and recommendations in December 2015. Recommendations included proposed statutory changes to eliminate redundancies and contradictions in competing statutes.

Summary of Second Substitute Bill:

The second substitute bill requires the OFM to develop learning space utilization standards, reasonableness of cost standards, and a scoring and prioritization matrix for capital facilities projects at HEI. The OFM must provide technical assistance to the legislative fiscal committees and four-year HEI in using the scoring and prioritization matrix. It allows the OFM to score and weigh, by ratio of categorical costs to total costs, HEI capital project proposals based on a scoring process by capital project category or combination of categories. Project category definitions and scoring criteria receive technical changes for clarity. References to data of HEI facilities that are no longer maintained by the Joint Legislative Audit and Review Committee are removed. Four-year and two-year HEI are no longer required to submit prioritized lists of capital projects to the OFM, and instead four-year HEI must submit capital project proposals to be scored, or capital project proposals that have been scored in previous biennia, and may prioritize up to five of those projects. The OFM is no longer required to produce a single, prioritized list for the Legislature to consider and the criteria by which the list must be prioritized, but is instead directed to score projects based on how well the project met the scoring criteria so decision makers can later use the prioritization matrix to weigh the importance of the scoring criteria. Duplicative language is removed.

Second Substitute Bill Compared to Original Bill:

The original bill amends the statute that describes the scoring process within single categories to incorporate language that pertains to the scoring and prioritization process of higher education capital projects that results in a single prioritized list. Also, duplicative language is removed. The processes, evaluation criteria, and the administration of the processes remain relatively unchanged in the original bill. The second substitute bill makes substantial changes to the scoring process, including updates to scoring criteria and category definitions, and eliminating prioritization of scored projects.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute 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) A unified process that uses one analysis method will help prioritize capital projects for the four-year HEI. The bill makes good technical changes and incorporates some objective processes into the scoring as recommended by the technical workgroup in its report. The bill will create transparency for the four-year HEI in aligning master plans with state priorities.

(Opposed) None.

(Other) Reasonableness of cost and space utilization standards should not be set in statute as they would be challenging to change. Broad guidelines for cost standards help create targets in funding, but once cost ranges are established they are immediately outdated. Developing guidelines should be an on-going effort to update cost standards with more recent data. Language should be added to require the OFM to seek assistance from a technical advisory council in developing reasonableness of cost guidelines.

Persons Testifying: (In support) Representative Tharinger, prime sponsor.

(Other) Steve DuPont; Central Washington University; Walter Schackt, AIA Washington; and Justin Rogers, Office of Financial Management.

Persons Signed In To Testify But Not Testifying: None.