

FINAL BILL REPORT

ESHB 3329

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Synopsis as Enacted

Brief Description: Prioritizing four-year higher education institutions' capital project requests.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Fromhold, McDonald, Ormsby, Wallace, Alexander, Sells and McIntire).

House Committee on Capital Budget
Senate Committee on Ways & Means

Background:

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.

Washington has six public four-year institutions of higher education: the University of Washington, Washington State University, Central Washington University, Eastern Washington University, The Evergreen State College, and Western Washington University. The state is budgeted to incur \$356 million of new general obligation bond indebtedness during the 2007-2009 fiscal biennium to support capital construction and renovation projects at these institutions. Additionally, the state will expend \$146 million from the Education Construction Account, student building fees, and other cash accounts to finance capital projects at the six four-year institutions.

Beginning in the 2005-2007 fiscal biennium, statute has required the six public institutions to work together to prepare a unified budget proposal that ranks all of the institutions' individual project proposals into a single prioritized list. The Higher Education Coordinating Board (HECB) establishes common definitions, project categories, and general priorities that the four-year institutions use in developing the prioritized list. The governing boards of each of the six institutions review and approve the single prioritized list. If one or more of the governing boards do not approve the proposed single list, the HECB is to prepare the prioritized list.

In 2005 and 2007, the Legislature provided additional guidance to refine the methodology used for the ranking of proposed four-year projects. Additional guidance included the following: (1) greater emphasis must be placed on the early review of project proposals at the pre-design phase and on the bow-wave implications of proposed projects; (2) the assignment of points should not be based on assigning an equal number of overall points to each four-year

institution; (3) the ranking process must address statewide priorities; (4) the comparable facility condition information developed by the Joint Legislative Audit and Review Committee (JLARC) should be used; (5) projects must not be ranked on the basis of a project's proposed funding source; and (6) an explanation of how proportionality factors relate to statewide priorities must be provided to the Legislature.

The State Board for Community and Technical Colleges (SBCTC) also recommends a single prioritized list of all proposed community and technical college capital budget proposals. Under the SBCTC system, colleges do not score their own projects; individual colleges do not have the authority to veto the system-wide proposal; each project is scored and prioritized within a single category according to its primary purpose; and system officials develop the single prioritized list based on an assessment of the relative amount of resources that should be devoted to each type of project, with the goal of providing for an orderly and sequential expenditure pattern over the ensuing three biennia.

The HECB submits recommendations on the HECB's priorities and the proposed capital budgets of the community and technical colleges and four-year institutions to the OFM by October 1 of each even-numbered year, and to the Legislature by January 1 of each odd-numbered year.

Summary:

The current responsibilities of the HECB and the four-year institutions of higher education with regard to prioritizing capital project proposals are repealed. Instead, the OFM, in consultation with the legislative fiscal committees and the JLARC, must develop common definitions and a scoring system and process that is to be used for scoring the four-year institutions' project requests. The scoring system and process is based on the framework used by the SBCTC.

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 consultation with the legislative fiscal committees, and must submit the results of its scoring to the legislative fiscal committees, the HECB, and the four-year institutions. For 2008, the analysis and scoring process must be completed by November 1.

Each proposed project is to be scored within a single project category according to its primary purpose. The project categories are: (1) enrollment growth; (2) replacement and renovation; (3) major campus infrastructure; (4) research projects that promote economic growth and innovation; and (5) other project categories as determined by the OFM and the legislative fiscal committees. The scoring of capital projects must occur within the context of performance agreements developed between the OFM and the four-year institutions.

The OFM must distribute common definitions, the scoring system, and other information required for project proposals and the scoring process as part of its biennial budget instructions. For the 2009-11 budget development cycle, this information must be distributed by the OFM by July 1, 2008.

In developing any scoring system for capital projects proposed by the four-year institutions, the OFM may utilize independent services to verify, sample, or evaluate information provided to the OFM by the four-year institutions.

By August 15 of each even-numbered year, beginning in 2008, each four-year institution must prepare and submit prioritized lists of the individual projects proposed by the institution for the ensuing six-year period in each project category. On a pilot basis, the OFM must require one research university to prepare two separate prioritized lists for each category, one for the main campus, and one covering all of the institution's branch campuses.

The HECB's capital budget recommendations to the Governor and Legislature must include the relative share of the higher education capital budget that the HECB recommends be assigned to each project category and to minor works program and preservation projects.

The OFM is required to conduct and submit a higher education capital facility financing study to the Governor and Legislature by December 1, 2008. In designing and conducting the study, the OFM must consult with legislative and fiscal committee leadership, the Department of Revenue, the State Investment Board, the HECB, the SBCTC, and the four-year institutions of higher education. The study must include: (1) a review of the methods that are used to fund higher education in other states; (2) an examination of alternatives for reducing facility construction and maintenance expenditures per student through various strategies; and (3) an assessment of the strengths and weaknesses of potential new revenue sources that might be applied to the funding of higher education facilities.

Votes on Final Passage:

House	94	0	
Senate	49	0	(Senate amended)
House	97	0	(House concurred)

Effective: June 12, 2008