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**HOUSE BILL 1325**

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**State of Washington 65th Legislature 2017 Regular Session**

**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; and amending RCW 43.88D.010 and 28B.77.070.

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

**Sec.**  RCW 43.88D.010 and 2012 c 229 s 821 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 project may be scored in only one category. The categories are:

(a) Access‑related projects to accommodate enrollment growth at main and branch campuses, at existing or new university centers, or through distance learning. Growth projects should provide significant additional student capacity. Proposed projects must demonstrate that they are based on solid enrollment demand projections, more cost‑effectively provide 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. 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 space;

(c) Projects that renovate facilities to restore building life and upgrade space to meet current program requirements. 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 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;

(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 the scoring of four-year institution project proposals, and may also solicit participation by independent experts.

(a) For each four-year project category, the scoring system must, at a minimum, include 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 space utilization.

(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, 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 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) 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;

(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) 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 along with capital budget outlines for the ensuing biennium including: The institutions' priority ranking of the project; the capital budget category within which the project will be submitted; a description of each capital project; and the amount and fund source being requested. 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.

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

(9) 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.

(10)(a) The office of financial management shall develop a single 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 subsections (1) through (7) of this section, including projects that were scored in previous biennia and received funding for an early project phase or not funded, so long as the project has been requested for inclusion in the upcoming biennial capital budget. The single prioritized list of capital projects must be based on the following priorities in the following order:

(i) Office of financial management scores pursuant to subsections (1) through (7) of this section;

(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 for inclusion in the upcoming biennial capital budget, except for the minor works projects, in the single 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 must be provided as one list, ranked in priority order. The ranking for the prioritized list of capital projects may not:

(i) Include subpriorities;

(ii) Be organized by category;

(iii) Consider the fund source or amount requested; or

(iv) Assume any specific institutional share or distribution pattern of projects among institutions in the priority list.

**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, 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. 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 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 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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