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**SUBSTITUTE HOUSE BILL 1325**

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**State of Washington**

**65th Legislature**

**2017 Regular Session**

**By** House Capital Budget (originally sponsored by Representatives Tharinger, Tarleton, and Jinkins; by request of Office of Financial Management)

READ FIRST TIME 02/24/17.

1 AN ACT Relating to the evaluation and prioritization of capital  
2 budget projects at the public two-year and four-year institutions of  
3 higher education; amending RCW 43.88D.010 and 28B.77.070; and  
4 creating a new section.

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

6 NEW SECTION. **Sec. 1.** The office of financial management, in  
7 consultation with the legislative fiscal committees, the state board  
8 for community and technical colleges, and the public four-year  
9 institutions of higher education, shall:

10 (1) Develop learning space utilization standards for higher  
11 education facilities. The standards may include:

12 (a) Percentage of hours utilized per scheduling window;

13 (b) Percentage of seats utilized;

14 (c) Square feet per seat; and

15 (d) Type of technology utilized in learning spaces.

16 (2) Develop reasonableness of cost standards for higher education  
17 capital projects. The standards may include:

18 (a) Costs per square feet per type of facility; and

19 (b) Expected life-cycle costs.

1 (3) Develop a criteria scoring and weighting tool for use by  
2 four-year higher education institutions and other decision makers  
3 that is comprised of two components:

4 (a) A measure of achievement of higher education capital projects  
5 criteria; and

6 (b) A measure to weigh the importance of those criteria.

7 **Sec. 2.** RCW 43.88D.010 and 2012 c 229 s 821 are each amended to  
8 read as follows:

9 (1) By October 1st of each even-numbered year, the office of  
10 financial management shall develop a single list of capital projects  
11 for the legislature to consider that includes all of the projects  
12 requested by the four-year institutions of higher education for  
13 inclusion in the upcoming biennial capital budget. The single list  
14 must be developed with the following conditions:

15 (a) The projects must be scored by the office of financial  
16 management pursuant to subsections (2) through (7) of this section.

17 (b) Projects that were scored in previous biennia or may have  
18 received funding for an early project phase, so long as the projects  
19 have been requested for inclusion in the upcoming biennial capital  
20 budget, must also be included in the single list.

21 (c) The single list may include projects at the funding phase, or  
22 combination of funding phases, of predesign, design, or construction.

23 (d) The single list may not:

24 (i) Include minor works projects;

25 (ii) Include subpriorities;

26 (iii) Be organized by category or combinations of categories;

27 (iv) Consider the fund source or amount requested; or

28 (v) Assume any specific institutional share or distribution  
29 pattern of projects among institutions in the single prioritized  
30 list.

31 (2) Pursuant to subsection (1) of this section, the office of  
32 financial management shall complete an objective analysis and scoring  
33 of all capital budget projects proposed by the public four-year  
34 institutions of higher education (~~and submit the results of the~~  
35 scoring process to the legislative fiscal committees and the four-  
36 year institutions)). Each project must be reviewed and scored within  
37 ((one of)) the following categories(~~(, according to the project's~~  
38 principal purpose)). ((Each)) Projects with more than one categorical  
39 component as defined in (a) through (f) of this subsection may be

1 scored in ~~((only))~~ more than one category and weighted as a ratio of  
2 costs attributed to that categorical component to total project  
3 costs. The categories are:

4 (a) ~~((Access-related))~~ Growth projects to accommodate enrollment  
5 growth at ~~((main and branch))~~ higher education campuses, at existing  
6 or new university centers, or through distance learning. Growth  
7 projects should provide significant additional student capacity to  
8 increase program access. Proposed projects must demonstrate that they  
9 are based on solid enrollment demand projections, ~~((more~~  
10 ~~cost-effectively))~~ provide more cost-effective enrollment access than  
11 alternatives such as university centers and distance learning, and  
12 make cost-effective use of existing and proposed new space;

13 (b) Projects that replace failing permanent buildings or projects  
14 that cannot be economically renovated are replacement projects.  
15 ~~((Facilities that cannot be economically renovated are considered~~  
16 ~~replacement projects. New space may be programmed for the same or a~~  
17 ~~different use than the space being replaced and may include additions~~  
18 ~~to improve access and enhance the relationship of program or~~  
19 ~~support))~~ Replaced facilities must either be demolished or removed  
20 from the inventory of learning space;

21 (c) Projects that renovate or modernize facilities to restore  
22 building life and upgrade space to meet current program requirements  
23 are renovation projects. Renovation projects should represent a  
24 complete renovation of a total facility or an isolated wing of a  
25 facility. A reasonable renovation project should cost between sixty  
26 to eighty percent of current replacement value and restore the  
27 renovated area to at least ~~((twenty-five))~~ thirty years of useful  
28 life~~((. New space may be programmed for the same or a different use~~  
29 ~~than the space being renovated and may include additions to improve~~  
30 ~~access and enhance the relationship of program or support space))~~;

31 (d) Major stand-alone campus infrastructure projects. Projects  
32 scored under other categories with significant infrastructure costs  
33 must also include scoring in this category;

34 (e) Projects that promote economic growth and innovation through  
35 expanded research activity. The acquisition and installation of  
36 specialized equipment is authorized under this category but must be  
37 scored pursuant to (d) of this subsection (2); and

38 (f) Other project categories as determined by the office of  
39 financial management in consultation with the legislative fiscal  
40 committees.

1       ~~((2))~~ (3) The office of financial management, in consultation  
2 with the legislative fiscal committees, shall establish a scoring  
3 system and process for each four-year project category ~~((that is  
4 based on the framework used in the community and technical college  
5 system of prioritization))~~. Staff from the state board for community  
6 and technical colleges and the four-year institutions shall provide  
7 technical assistance on the development of a scoring system and  
8 process.

9       ~~((3))~~ (4) The office of financial management shall consult with  
10 the legislative fiscal committees in developing the criteria and the  
11 scoring methodology of four-year institution project proposals, and  
12 may also solicit participation by independent experts~~((--))~~ in  
13 consideration of the following:

14       (a) For each four-year project category, the scoring system must  
15 include, at a minimum, ~~((include))~~ an evaluation of enrollment  
16 trends, reasonableness of cost, the ability of the project to enhance  
17 specific strategic master plan goals, age and condition of the  
18 facility if applicable, ~~((and))~~ impact on learning space utilization,  
19 and other criteria as determined by the office of financial  
20 management in consultation with the legislative fiscal committees.  
21 The scoring system must measure achievement of higher education  
22 capital projects criteria only and may not weigh any one criteria  
23 higher than any other criteria.

24       (b) ~~((Each four-year project category may include projects at the  
25 predesign, design, or construction funding phase.~~

26       ~~((c))~~ To the extent possible, the objective analysis and scoring  
27 system of all capital budget projects shall occur within the context  
28 of any and all performance agreements between the office of financial  
29 management and the governing board of a public, four-year institution  
30 of higher education that aligns goals, priorities, desired outcomes,  
31 flexibility, institutional mission, accountability, and levels of  
32 resources.

33       ~~((4) In evaluating and scoring four-year institution projects,  
34 the office of financial management shall take into consideration  
35 project schedules that result in realistic, balanced, and predictable  
36 expenditure patterns over the ensuing three biennia.))~~

37       (5) The office of financial management shall distribute common  
38 definitions, the scoring system and weighting tool, and other  
39 information and forms required for the project proposal and scoring  
40 process as part of its biennial budget instructions. The office of

1 financial management, in consultation with the legislative fiscal  
2 committees, shall develop common definitions that four-year  
3 institutions must use in developing their project proposals and lists  
4 under this section.

5 (6) In developing any scoring system for capital projects  
6 proposed by the four-year institutions, the office of financial  
7 management:

8 (a) Shall be provided with all required information by the four-  
9 year institutions as deemed necessary by the office of financial  
10 management; and

11 (b) May utilize independent services to verify, sample, or  
12 evaluate information provided to the office of financial management  
13 by the four-year institutions(~~(; and~~

14 ~~(c) Shall have full access to all data maintained by the joint~~  
15 ~~legislative audit and review committee concerning the condition of~~  
16 ~~higher education facilities)).~~

17 (7) By August (~~(1st)~~) 15th of each even-numbered year each public  
18 four-year higher education institution shall prepare and submit  
19 (~~(prioritized lists of the individual projects proposed by the~~  
20 ~~institution for the ensuing six-year period in each category. The~~  
21 ~~lists must be submitted to the office of financial management and the~~  
22 ~~legislative fiscal committees. The four-year institutions may~~  
23 ~~aggregate minor works project proposals by primary purpose for~~  
24 ~~ranking purposes. Proposed minor works projects must be prioritized~~  
25 ~~within the aggregated proposal, and supporting documentation,~~  
26 ~~including project descriptions and cost estimates, must be provided))~~  
27 to the office of financial management and the legislative fiscal  
28 committees:

29 (a) Individual project proposals developed pursuant to subsection  
30 (4) of this section; and

31 (b) Individual project proposals scored in prior biennia pursuant  
32 to subsection (1) of this section.

33 (8) By January 1st of odd-numbered years, the council of  
34 presidents must submit a single prioritized list of capital projects  
35 for the legislature to consider that includes all of the projects  
36 requested by the four-year institutions of higher education for  
37 inclusion in the upcoming biennial capital budget. The single  
38 prioritized list must be developed with the following conditions:

1 (a) The four-year institutions must collectively weight the  
2 criteria defined in subsection (4)(a) of this section using the  
3 weighting tool administered by the office of financial management.

4 (b) The four-year institutions must apply the weight of the  
5 criteria to the single list developed by the office of financial  
6 management pursuant to subsection (1) of this section to prioritize  
7 the single list of higher education capital projects.

8 (9) The office of financial management shall provide technical  
9 assistance to the legislative fiscal committees and the four-year  
10 institutions in using the weighting tool to measure the importance of  
11 the criteria defined in subsection (4)(a) of this section.

12 **Sec. 3.** RCW 28B.77.070 and 2012 c 229 s 110 are each amended to  
13 read as follows:

14 (1) The council shall identify budget priorities and levels of  
15 funding for higher education, including the two and four-year  
16 institutions of higher education and state financial aid programs. It  
17 is the intent of the legislature for the council to make budget  
18 recommendations for allocations for major policy changes in  
19 accordance with priorities set forth in the ten-year ~~((plan))~~ roadmap  
20 as defined in RCW 28B.77.020, but the legislature does not intend for  
21 the council to review and make recommendations on individual  
22 institutional budgets. It is the intent of the legislature that  
23 recommendations from the council prioritize funding needs for the  
24 overall system of higher education in accordance with priorities set  
25 forth in the ten-year ~~((plan))~~ roadmap. It is also the intent of the  
26 legislature that the council's recommendations take into  
27 consideration the total per-student funding at similar public  
28 institutions of higher education in the global challenge states.

29 (2) By December of each odd-numbered year, the council shall  
30 outline the council's fiscal priorities under the ten-year ~~((plan))~~  
31 roadmap that it must distribute to the institutions, the state board  
32 for community and technical colleges, the office of financial  
33 management, and the joint higher education committee.

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

1       ~~(b) Capital budget outlines for the four-year institutions must~~  
2 ~~be submitted to the office of financial management by August 15th of~~  
3 ~~each even-numbered year, and must include: The institutions' priority~~  
4 ~~ranking of the project; the capital budget category within which the~~  
5 ~~project will be submitted to the office of financial management in~~  
6 ~~accordance with RCW 43.88D.010; a description of each capital~~  
7 ~~project; and the amount and fund source being requested.~~

8       ~~(c) The office of financial management shall reference these~~  
9 ~~reporting requirements in its budget instructions.))~~

10       (3) The council shall submit recommendations on the operating  
11 budget priorities to support the ten-year ((plan)) roadmap to the  
12 office of financial management by October 1st each year, and to the  
13 legislature by January 1st each year.

14       ~~((4)(a) The office of financial management shall develop one~~  
15 ~~prioritized list of capital projects for the legislature to consider~~  
16 ~~that includes all of the projects requested by the four-year~~  
17 ~~institutions of higher education that were scored by the office of~~  
18 ~~financial management pursuant to chapter 43.88D RCW, including~~  
19 ~~projects that were previously scored but not funded. The prioritized~~  
20 ~~list of capital projects shall be based on the following priorities~~  
21 ~~in the following order:~~

22       ~~(i) Office of financial management scores pursuant to chapter~~  
23 ~~43.88D RCW;~~

24       ~~(ii) Preserving assets;~~

25       ~~(iii) Degree production; and~~

26       ~~(iv) Maximizing efficient use of instructional space.~~

27       ~~(b) The office of financial management shall include all of the~~  
28 ~~capital projects requested by the four-year institutions of higher~~  
29 ~~education, except for the minor works projects, in the prioritized~~  
30 ~~list of capital projects provided to the legislature.~~

31       ~~(c) The form of the prioritized list for capital projects~~  
32 ~~requested by the four-year institutions of higher education shall be~~  
33 ~~provided as one list, ranked in priority order with the highest~~  
34 ~~priority project ranked number "1" through the lowest priority~~  
35 ~~project numbered last. The ranking for the prioritized list of~~  
36 ~~capital projects may not:~~

37       ~~(i) Include subpriorities;~~

38       ~~(ii) Be organized by category;~~

39       ~~(iii) Assume any state bond or building account biennial funding~~  
40 ~~level to prioritize the list; or~~

1       ~~(iv) Assume any specific share of projects by institution in the~~  
2 ~~priority list.~~

3       ~~(5) Institutions and the state board for community and technical~~  
4 ~~colleges shall submit any supplemental capital budget requests and~~  
5 ~~revisions to the office of financial management by November 1st and~~  
6 ~~to the legislature by January 1st.) )~~

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