

HOUSE BILL REPORT

HB 2055

As Reported by House Committee On:
Capital Budget

Title: An act relating to capital budget matching grants to independent higher education institutions.

Brief Description: Providing capital budget matching grants to independent higher education institutions.

Sponsors: Representatives Steele, Leavitt, Simmons, Graham, Sutherland and Eslick.

Brief History:

Committee Activity:

Capital Budget: 2/1/22, 2/7/22 [DP].

Brief Summary of Bill

- Creates a competitive capital budget matching grant program for private, nonprofit higher education institutions.
- Requires that projects must have estimated costs of not less than \$2 million and must construct or improve facilities that are primarily for instructional purposes.
- Requires institutions receiving a grant to provide matching nonstate funding equal to at least 100 percent of the grant award.
- Establishes various project compliance criteria, grant prioritization, and administrative processes.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 15 members: Representatives Tharinger, Chair; Steele, Ranking Minority Member; Abbarno, Assistant Ranking Minority Member; McEntire, Assistant Ranking Minority Member; Dye, Eslick, Gilday, Kraft, Leavitt,

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

MacEwen, Mosbrucker, Riccelli, Rule, Shewmake and Volz.

Minority Report: Do not pass. Signed by 4 members: Representatives Kloba, Peterson, Santos and Sells.

Minority Report: Without recommendation. Signed by 3 members: Representatives Callan, Vice Chair; Hackney, Vice Chair; Bateman.

Staff: John Wilson-Tepeli (786-7115).

Background:

The capital budget appropriates state funding to support major projects and minor works at the public, four-year higher education institutions, and the community and technical colleges. Projects with costs of less than \$2 million are generally considered minor works. Major projects have higher costs and generally take two or more biennia to complete, encompassing predesign, design, and construction.

Four-Year Institutions.

Each public, four-year higher education institution submits a separate capital budget request to the Governor and the Legislature. Major projects developed by the four-year institutions of higher education are often submitted to the Office of the Financial Management (OFM) for a biennial scoring process in even-numbered years. Submitted projects are scored by panels of higher education professionals using the OFM-developed scoring standards within one of the following six project categories, each according to their primary purpose: growth, renovation, replacement, research, infrastructure, and acquisition. The OFM reports the results of this scoring process, with a separate list for each project category, to the Governor, the legislative fiscal committees, and the four-year institutions. For the 2023-25 biennium, the OFM and the Governor are not required to develop, or adhere to, a single prioritized list of higher education capital projects.

Community and Technical Colleges.

The State Board for Community and Technical Colleges (State Board) supervises and coordinates Washington's public community and technical colleges. Each biennium, the State Board creates a capital budget request for the Governor and the Legislature that includes a single, prioritized list of all capital project requests for the community and technical college system. The request and prioritization process is determined by State Board policy. While minor works requests are based on a facility and infrastructure survey process, major works are prioritized based on the proposals submitted by each college. For the 2023-25 biennium, institutions may only submit one project proposal, which is scored within the following project categories: (a) infrastructure; (b) renovation; (c) replacement; and (d) new area.

Summary of Bill:

A competitive capital budget matching grant program is created for private, nonprofit higher education institutions' facilities.

Eligibility.

Applicant eligibility is limited to private, nonprofit educational institutions meeting all of the following conditions: (a) the main campus is permanently situated in the state and is open to residents of the state; (b) there is no restriction to entry on racial or religious grounds; (c) the programs of education beyond high school lead to at least the baccalaureate degree; and (d) the institution is accredited by the Northwest Association of Schools and Colleges or by an accrediting association recognized by the Council for Higher Education.

Project eligibility is limited to projects with estimated costs of not less than \$2 million and projects must construct or improve facilities that are primarily for instructional purposes.

Matching Funds.

The Department of Commerce (Commerce) must require that higher education institutions receiving a grant through this program provide matching nonstate funding equal to at least 100 percent of the grant awards.

Grant Prioritization Process.

Commerce is required to consult with the State Board of Community and Technical Colleges, the Washington Higher Education Facilities Authority, and stakeholders to develop a grant prioritization process. Commerce may use up to 3 percent of amounts appropriated for the grant program for the program's administrative costs. This consultative process must create an application evaluation and ranking system that results in a single prioritized list of proposed grants from the pool of applications submitted by eligible institutions in each application cycle. The project prioritization process developed through this consultation must give primary consideration to institutional programmatic needs and facility conditions.

Grant Lists and Requests.

An initial, prioritized grant request list must be submitted to the Governor in 2022, with future request lists submitted by September 1 of even-numbered years. Commerce and the Governor may determine the level of program funding in their related capital budget requests, but these requests must follow the prioritized list unless new information determines that a specific project is no longer viable as proposed.

Program Administration.

Commerce must develop a grant application process and assist higher education institutions in matters related to applying for grants through this program. Prior to receiving funding, project grant recipients must demonstrate that the project site is under control for a minimum of 10 years, either through ownership or a long-term lease. This requirement does not apply to appropriations for preconstruction activities or appropriations in which the sole purpose is to purchase real property that does not include a construction or renovation component. In contracts for grants awarded through this program, Commerce must include provisions that require that capital improvements be held by the grantee for a specified period of time appropriate to the amount of the grant and that facilities be used for the express purpose of the grant. Commerce may also require projects funded through this grant program to comply with Washington's high-performance public building standards.

Commerce may provide program funding on a reimbursement basis only and funding may not be advanced under any circumstances. Commerce may not expend funding for a project grant unless and until the nonstate share of that project's costs have been either expended or firmly committed, or both, in an amount sufficient to complete the project or a distinct phase of the project that is usable to the public for the purpose intended by the Legislature. This requirement does not apply to projects where a share of the appropriation is for design costs only.

If Commerce finds the grantee out of compliance with provisions of the contract, the grantee must repay to the State General Fund the principal amount of the grant plus interest calculated at the rate of interest on the state general obligation bonds issued most closely to the date of authorization of the grant.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill would allow access by the state's nonprofit, private universities to capital budget funding. The institutions receiving grants would be required to match up to 100 percent of the grant award. The bill would provide an opportunity for these institutions to participate in the capital budget. These are small institutions with small budgets and class sizes that need capital funding to support their facilities.

This bill has the support of the state's nonprofit, private universities. Many of the state's students attend these universities and return to their local communities to contribute their

knowledge and professional skills. These students drive generational and economic mobility. Many of these students come from diverse backgrounds and are the first person in their family to attend college.

The bill would emulate other states' capital funding models for private institutions and encourage investment from the private sector and private donors across Washington. The bill would create public-private partnerships that will spur economic development and job training. Many of the degree programs that this bill would support through the provision of improved facilities funding are in high-demand fields.

(Opposed) The condition of many community and technical college buildings is poor, including building infrastructure such as access ramps and restrooms. Many of these buildings are past their useful life. There are over \$300 million in supplemental capital budget requests for the state's community and technical colleges for capital projects that were not funded in the biennial budget. Relying on colleges to self-fund these requests will lead to more deterioration of their facilities. Given that many colleges are struggling with budget challenges, now is the time to fund neglected public institutions' infrastructure.

(Other) There is concern that this bill could result in less available capital budget funding for the state's public higher education institutions, which have significant backlogs of campus infrastructure needs as well as programmatic improvements that are necessary to meet modern pedagogical standards. There are many examples of significant, unmet facility needs across these institutions, including some project needs that are responding to emergency situations, an example of which is the asbestos abatement project at Pierce College. Unlike private institutions, public institutions rely more heavily on the capital budget to meet their facilities' needs.

Persons Testifying: (In support) Representative Mike Steele, prime sponsor; Terri Standish-Kuon, Independent Colleges of Washington; Nathan Peters, Saint Martin's University; Allan Belton, Pacific Lutheran University; and Larry Probus, Whitworth University.

(Opposed) James Peyton, Highline Association of Higher Education and Washington Education Association.

(Other) Ruben Flores, Council of Presidents; and Arlen Harris, State Board for Community and Technical Colleges.

Persons Signed In To Testify But Not Testifying: None.