

HOUSE BILL REPORT

HB 2736

As Reported by House Committee On:
Capital Budget

Title: An act relating to research by state universities.

Brief Description: Authorizing the University of Washington and Washington State University to make financing arrangements for research facilities.

Sponsors: Representatives Murray, Esser, McIntire, Lantz, Jarrett, Ogden, Lysen, Chase, Haigh and Kenney; by request of University of Washington.

Brief History:

Committee Activity:

Capital Budget: 2/4/02, 2/12/02 [DPS].

Brief Summary of Substitute Bill

- Authorizes the University of Washington and Washington State University to issue bonds and other financing for research facilities supported by revenue and fees related to the research facilities.
- Bonds for these research facilities are issued by the university and are not obligations of the state.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Murray, Chair; McIntire, Vice Chair; Alexander, Ranking Minority Member; Armstrong, Bush, Casada, Chase, Esser, Hankins, Hunt, Lantz, O'Brien, Ogden, Reardon, Schoesler, Veloria and Woods.

Staff: Charlie Gavigan (786-7340).

Background:

Public institutions of higher education are state entities; generally, new capital facilities for all state agencies and higher education institutions must be specifically approved by the Legislature. The Legislature has authorized the regents and trustees of the four-year public higher education institutions to issue revenue bonds and other debt to finance

certain types of capital facilities without specific legislative approval. This includes financing student housing, dining halls, parking, and facilities for student activities. Typically the bond-holders are secured only by the university's revenues from the facilities financed by the bonds; these are not general obligations of the state.

The University of Washington (UW) and Washington State University (WSU) are considered research universities, which means faculty and students do a significant amount of basic and applied research in addition to traditional academic programs. The UW receives about \$700 million in research grants annually, while WSU receives about \$100 million annually.

When a university receives research grants, it also receives an additional amount to cover costs associated with the grant. About half of this indirect cost recovery (ICR) goes to administration and half to facilities (operating and maintenance, interest, etc.).

Summary of Substitute Bill:

The UW and WSU are authorized to own and finance research facilities and related equipment supported by the fees and revenues each university receives from these research activities. The universities are also authorized to lease facilities for research purposes, and to lease out research facilities to non-university persons provided that rental income is received by the university or that opportunities for public-private research are provided.

The regents must consider the maintenance and operating costs of the research facility and related equipment. State-appropriated funds cannot be used for maintenance and operating expenses. The universities must report annually to the Legislature on the financing of research facilities under the authority provided by this bill.

Substitute Bill Compared to Original Bill:

The substitute bill precludes state funds from being used for maintenance and operation of research facilities financed by the universities, and requires the universities to report to the Legislature annually on the use of this new financing authority.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The UW is one of the premier research universities in the nation, but space needs are beginning to limit the potential for new research grants and may hurt the university's ability to continue to be one of the top research universities in the country. The UW has doubled its research grants received over the last decade, and there is expected to be a growing amount of research grants available from the federal government in areas the university is strong. These research grants are important to the academic and research mission of the school, benefit its students, and are an important catalyst for business creation in the state. This bill will allow the university to issue revenue bonds to build needed research facilities without having to ask for limited state funds. It will enable the university to leverage private and federal funds. The university has a strong record as an issuer of bonds for such things as student facilities; its bond rating is excellent. This bill will not benefit WSU immediately because its research base is smaller, but hopefully WSU can make use of this tool in the future.

Testimony Against: None.

Testified: Representative Murray, prime sponsor; Dick Thompson, University of Washington; Harlan Patterson, University of Washington; Scott Davies, University of Washington; Paul Vronsky, Associated Students of the University of Washington; and Larry Ganders, Washington State University.