

HOUSE BILL REPORT

SSB 6721

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: Senate Committee on Ways & Means (originally sponsored by Senators West, Brown, Snyder and Kohl-Welles; by request of University of Washington).

Brief History:

Committee Activity:

Capital Budget: 2/28/02, 3/4/02 [DPA].

Brief Summary of Substitute Bill
(As Amended by House Committee)

- 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: Do pass as amended. Signed by 16 members: Representatives Murray, Chair; McIntire, Vice Chair; Alexander, Ranking Minority Member; 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 Amended 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.

Amended Bill Compared to Substitute Bill:

The amended bill precludes state funds from being used for maintenance and operation of research facilities financed by the universities under this new authority, and it corrects a reference.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Amended 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 in which the university is strong. These research grants are important to the academic and research mission of the school, they benefit students, and they 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: Dick Thompson and Tim Kerr, University of Washington; and Larry Ganders, Washington State University.