

SENATE BILL REPORT

ESHB 3329

As Reported By Senate Committee On:
Ways & Means, February 29, 2008

Title: An act relating to the prioritization of public four-year institution capital project requests.

Brief Description: Prioritizing four-year higher education institutions' capital project requests.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Fromhold, McDonald, Ormsby, Wallace, Alexander, Sells and McIntire).

Brief History: Passed House: 2/15/08, 94-0.

Committee Activity: Ways & Means: 2/29/08 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Rasmussen, Regala, Roach, Rockefeller and Tom.

Staff: Tim Yowell (786-7435)

Background: Washington adopts a biennial capital budget each odd-numbered year, appropriating monies for a variety of capital projects and programs. State agencies, including higher education institutions, prepare and submit budget requests to the Office of Financial Management (OFM) in the fall of each even-numbered year for consideration in the biennial capital budget. The Governor evaluates the requests and submits a proposed budget to the Legislature prior to the legislative session.

Washington has six public four-year institutions of higher education: the University of Washington, Washington State University, Central Washington University, Eastern Washington University, The Evergreen State College, and Western Washington University. The state is budgeted to incur \$356 million of new general obligation bond indebtedness this biennium to support capital construction and renovation projects at these institutions. Additionally, the state will expend \$146 million from the university permanent funds, student building fees, and other cash accounts to finance capital projects at the six four-year institutions.

For the past two biennial budget cycles, beginning in 2005-07, state law has required the six public institutions to work together to prepare a unified budget proposal that ranks all of the institutions' individual project proposals into a single prioritized list. The Higher Education

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

Coordinating (HEC) Board establishes common definitions, project categories, and general priorities that the four-year institutions use in developing the prioritized list. The governing boards of each of the six institutions review and approve the single prioritized list. If one or more of the governing boards do not approve the proposed single list, the HEC Board is to rank the projects.

The State Board for Community and Technical Colleges (SBCTC) also recommends a single prioritized list of all proposed community and technical college capital budget proposals. Under the SBCTC system, colleges do not score their own projects; individual colleges do not have the authority to veto the system-wide proposal; each project is scored and prioritized within a single category according to its primary purpose; and system officials develop the single prioritized list based upon an assessment of the relative amount of resources that should be devoted to each type of project, with the goal of providing for an orderly and sequential expenditure pattern over the ensuing three biennia. It has been suggested that the four-year prioritization process would be more useful to policy-makers if it were more similar to the SBCTC process in these regards.

There is concern that, barring significant reductions in other areas of state government, current revenue sources are insufficient to address future higher education needs for facility renovation and enrollment growth.

Summary of Bill (Recommended Amendments): The current responsibilities of the HEC Board and the individual four-year institutions with regard to prioritizing capital project proposals are repealed. Instead, OFM, in consultation with the legislative fiscal committees and the Joint Legislative and Audit Review Committee (JLARC), develops common definitions and a scoring system and process that is to be used for ranking the four-year institutions' project requests. The scoring system and process is based on the framework used by the SBCTC. By November 1 of each even-numbered year, beginning in 2008, OFM completes an objective analysis and scoring of all capital budget projects proposed by the four-year institutions. OFM conducts the scoring in consultation with the legislative fiscal committees, and submits the results to the fiscal committees, the HEC Board, and the four-year institutions.

Each proposed project is to be scored within a single project category, according to its primary purpose. The project categories are: (1) enrollment growth; (2) replacement and renovation; (3) major campus infrastructure; (4) research projects that promote economic growth and innovation; and (5) other categories as determined by the OFM and the legislative fiscal committees.

By August 15 of each even-numbered year, beginning in 2008, each four-year institution prepares and submits a prioritized list of the projects proposed by the institution in each category. The University of Washington and Washington State University each submit two such groups of lists, one covering projects at the main campus and the other at the institution's branches

The HEC Board's capital budget recommendations to the Governor and Legislature include the relative share of the higher education capital budget that the board recommends be assigned to each project category.

OFM submits a higher education facility funding study to the Governor and Legislature by December 1, 2008. The study includes: (1) a review of the methods that are used to fund higher education in other states; (2) an examination of alternatives for reducing facility construction and maintenance expenditures through various strategies; and (3) an assessment of the strengths and weaknesses of potential new revenue sources that might be applied to the funding of higher education facilities.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): University centers and distance learning are specified as projects to be considered under the access category. Access projects are to demonstrate that they meet enrollment growth needs more cost-effectively than would university centers or distance learning approaches.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (on companion SB 6903): PRO: Scoring projects into four or more lists, according to project purpose, will enable the Legislature to make more explicit policy choices. OFM supports the proposal to rank project according to their primary purpose, because that will permit the capital budget to align more strategically with operating budget priorities.

OTHER: The proposed substitute addresses all of the Council of Presidents' concerns and suggestions with regard to the original bill. The stakes are high, given demands on state bond capacity, the amount of state-owned space occupied by the four-year institutions, and the need for increased higher education capacity if the state is to meet the goals established in the HEC Board's master plan. It is therefore important for the Legislature to have confidence in the credibility of the process that is used to prioritize the four-year projects. It would be useful for the legislation to tie more explicitly to the goals and strategies outlined in the HEC Board's proposed 2008 strategic master plan.

Persons Testifying (on companion SB 6903): PRO: Senator Fraser, prime sponsor; Tom Saelid, Office of Financial Management.

OTHER: Terry Teale, Council of Presidents; Ann Daley, HEC Board.