
ENGROSSED SUBSTITUTE HOUSE BILL 3329

State of Washington

60th Legislature

2008 Regular Session

By House Capital Budget (originally sponsored by Representatives Fromhold, McDonald, Ormsby, Wallace, Alexander, Sells, and McIntire)

READ FIRST TIME 02/12/08.

1 AN ACT Relating to the prioritization of public four-year
2 institution capital project requests; amending RCW 28B.76.210; adding
3 a new chapter to Title 43 RCW; creating new sections; and repealing RCW
4 28B.76.220.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that the state's
7 public four-year institutions and the higher education coordinating
8 board have made progress in developing a process to create a single
9 prioritized list of capital project requests as required under RCW
10 28B.76.220. The legislature also finds that this process requires
11 further refinement to achieve the state's policy objectives as outlined
12 in the higher education coordinating board's strategic master plan for
13 higher education in Washington. The legislature further finds the goal
14 of creating additional, innovative facilities and programs that meet
15 the learning needs of students throughout the state in a timely and
16 cost-effective fashion requires a new approach to facility
17 prioritization that emphasizes strategic planning. The legislature
18 therefore intends to establish a new process for prioritizing capital
19 project requests by the four-year institutions that utilizes the

1 expertise and government- wide perspective of the office of financial
2 management, and that is based upon the model that has been used
3 successfully by the community and technical college system. The new
4 process must emphasize objective analysis, a statewide perspective, and
5 a strategic balance among facility preservation, new construction, and
6 innovative delivery mechanisms. The legislature further recognizes
7 that institutions of higher education are likely to require substantial
8 new capital investments in order to continue to provide a wide range of
9 high quality programs to students and the community, and that the
10 state's ability to provide such resources is constrained by increasing
11 capital expenditure needs within the K-12, public safety, social
12 services, and community economic development arenas. The legislature
13 therefore intends to identify and assess potential alternative means
14 for increasing the capacity of public higher education institutions to
15 meet the demands of the twenty-first century.

16 NEW SECTION. **Sec. 2.** (1) By October 15th of each even-numbered
17 year, the office of financial management shall complete an objective
18 analysis and scoring of all capital budget projects proposed by the
19 public four-year institutions of higher education and submit the
20 results of the scoring process to the legislative fiscal committees,
21 the higher education coordinating board, and the four-year
22 institutions, except that, for 2008, the office of financial management
23 shall complete the objective analysis and scoring by November 1st.
24 Each project must be reviewed and scored within one of the following
25 categories, according to the project's principal purpose. Each project
26 may be scored in only one category. The categories are:

27 (a) Access-related projects to accommodate enrollment growth.
28 Growth projects should provide significant additional student capacity.
29 Proposed projects must demonstrate that they are based on solid
30 enrollment demand projections and make cost-effective use of existing
31 and proposed new space;

32 (b) Projects that replace failing permanent buildings or renovate
33 facilities to restore building life and upgrade space to meet current
34 program requirements. Facilities that cannot be economically renovated
35 are considered replacement projects. Renovation projects should
36 represent a complete renovation of a total facility or an isolated wing
37 of a facility. A reasonable renovation project should cost between

1 sixty to eighty percent of current replacement value and restore the
2 renovated area to at least twenty-five years of useful life. New space
3 may be programmed for the same or a different use than the space being
4 replaced or renovated and may include additions to improve access and
5 enhance the relationship of program or support space;

6 (c) Major stand-alone campus infrastructure projects;

7 (d) Projects that promote economic growth and innovation through
8 expanded research activity. The acquisition and installation of
9 specialized equipment is authorized under this category; and

10 (e) Other project categories as determined by the office of
11 financial management in consultation with the legislative fiscal
12 committees.

13 (2) The office of financial management, in consultation with the
14 legislative fiscal committees and the joint legislative audit and
15 review committee, shall establish a scoring system and process for each
16 four-year project category that is based on the framework used in the
17 community and technical college system of prioritization. Staff from
18 the state board for community and technical colleges, the higher
19 education coordinating board, and the four-year institutions shall
20 provide technical assistance on the development of a scoring system and
21 process.

22 (3) The office of financial management shall consult with the
23 legislative fiscal committees in the scoring of four-year institution
24 project proposals, and may also solicit participation by the joint
25 legislative audit and review committee and independent experts.

26 (a) For each four-year project category, the scoring system must,
27 at a minimum, include an evaluation of enrollment trends,
28 reasonableness of cost, the ability of the project to enhance specific
29 strategic master plan goals, age and condition of the facility if
30 applicable, and impact on space utilization.

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

33 (c) To the extent possible, the objective analysis and scoring
34 system of all capital budget projects shall occur within the context of
35 any and all performance agreements between the office of financial
36 management and the governing board of a public, four-year institution
37 of higher education that aligns goals, priorities, desired outcomes,

1 flexibility, institutional mission, accountability, and levels of
2 resources.

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

7 (5) The office of financial management shall distribute common
8 definitions, the scoring system, and other information required for the
9 project proposal and scoring process as part of its biennial budget
10 instructions, except that, for the 2009-2011 budget development cycle,
11 this information must be distributed by July 1, 2008. The office of
12 financial management, in consultation with the legislative fiscal
13 committees and the joint legislative audit and review committee, shall
14 develop common definitions that four-year institutions must use in
15 developing their project proposals and lists under this section.

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

18 (a) Shall be provided with all required information by the four-
19 year institutions as deemed necessary by the office of financial
20 management;

21 (b) May utilize independent services to verify, sample, or evaluate
22 information provided to the office of financial management by the four-
23 year institutions; and

24 (c) Shall have full access to all data maintained by the higher
25 education coordinating board and the joint legislative audit and review
26 committee concerning the condition of higher education facilities.

27 (7) By August 15th of each even-numbered year, beginning in 2008,
28 each public four-year higher education institution shall prepare and
29 submit prioritized lists of the individual projects proposed by the
30 institution for the ensuing six-year period in each category, except
31 for research institutions which shall prepare two separate prioritized
32 lists in each category, one for the main campus, and one covering all
33 of the institution's branch campuses. The lists must be submitted to
34 the office of financial management and the legislative fiscal
35 committees. The four-year institutions may aggregate minor works
36 project proposals by primary purpose for ranking purposes. Proposed
37 minor works projects must be prioritized within the aggregated

1 proposal, and supporting documentation, including project descriptions
2 and cost estimates, must be provided to the office of financial
3 management and the legislative fiscal committees.

4 NEW SECTION. **Sec. 3.** The office of financial management shall
5 submit a higher education capital facility financing study to the
6 governor and the appropriate legislative fiscal committees by December
7 1, 2008. In designing and conducting the study, the office of
8 financial management shall consult with legislative and fiscal
9 committee leadership, the department of revenue, the state investment
10 board, the higher education coordinating board, the state board for
11 community and technical colleges, and the public four-year institutions
12 of higher education. The study must include:

13 (1) A review of the methods that are used to fund higher education
14 facility expansion and improvements in other states, with particular
15 emphasis on Washington's global challenge states, and the relative
16 portions of such expenditures that are borne by students, state
17 taxpayers, federal grants, and private contributions;

18 (2) An examination of alternatives for reducing facility
19 construction and maintenance expenditures per student through
20 strategies such as expansion of distance learning opportunities,
21 increased scheduling of classes during evenings and weekends, the
22 establishment of expected cost benchmarks by facility type, and other
23 means; and

24 (3) An assessment of the strengths and weaknesses of potential new
25 revenue sources that might be applied to the funding of higher
26 education facilities. These alternative sources must include, but not
27 be limited to, adjusting student fees to support a larger share of the
28 cost of such facilities, bonding against student fee revenues,
29 utilizing local tax revenues to support local higher education capital
30 needs, promoting business participation in the financing of programs
31 strongly linked to area economic development, and other means.

32 **Sec. 4.** RCW 28B.76.210 and 2007 c 458 s 202 are each amended to
33 read as follows:

34 (1) The board shall collaborate with the four-year institutions
35 including the council of presidents, the community and technical
36 college system, and when appropriate the workforce training and

1 education coordinating board, the superintendent of public instruction,
2 and the independent higher educational institutions to identify budget
3 priorities and levels of funding for higher education, including the
4 two and four-year institutions of higher education and state financial
5 aid programs. It is the intent of the legislature that recommendations
6 from the board reflect not merely the sum of budget requests from
7 multiple institutions, but prioritized funding needs for the overall
8 system of higher education.

9 (2) By December of each odd-numbered year, the board shall
10 distribute guidelines which outline the board's fiscal priorities to
11 the institutions and the state board for community and technical
12 colleges.

13 (a) The institutions and the state board for community and
14 technical colleges shall submit an outline of their proposed operating
15 budgets to the board no later than July 1st of each even-numbered year.
16 Pursuant to guidelines developed by the board, operating budget
17 outlines submitted by the institutions and the state board for
18 community and technical colleges after January 1, 2007, shall include
19 all policy changes and enhancements that will be requested by the
20 institutions and the state board for community and technical colleges
21 in their respective biennial budget requests. Operating budget
22 outlines shall include a description of each policy enhancement, the
23 dollar amount requested, and the fund source being requested.

24 (b) Capital budget outlines for the two-year institutions shall be
25 submitted by August 15th of each even-numbered year, and shall include
26 the prioritized ranking of the capital projects being requested ((by
27 two-year and four-year institutions, respectively.)), a description of
28 each capital project, and the amount and fund source being requested((
29 shall be included for each capital project appearing in the prioritized
30 ranking)).

31 (c) Capital budget outlines for the four-year institutions must be
32 submitted by August 15th of each even-numbered year, and must include:
33 The institutions' priority ranking of the project; the capital budget
34 category within which the project will be submitted to the office of
35 financial management in accordance with section 2 of this act; a
36 description of each capital project; and the amount and fund source
37 being requested.

1 (d) The office of financial management shall reference these
2 reporting requirements in its budget instructions.

3 (3) The board shall review and evaluate the operating and capital
4 budget requests from four-year institutions and the community and
5 technical college system based on how the requests align with the
6 board's budget priorities, the missions of the institutions, and the
7 statewide strategic master plan for higher education under RCW
8 28B.76.200.

9 (4) The board shall submit recommendations on the proposed
10 ~~((budgets))~~ operating budget and ~~((on the board's budget))~~ priorities
11 to the office of financial management ~~((before))~~ by October 1st of each
12 even-numbered year, and to the legislature by January 1st of each odd-
13 numbered year. The board's capital budget recommendations for the
14 community and technical college system and the four-year institutions
15 must be submitted to the office of financial management by November
16 15th of each even-numbered year and to the legislature by January 1st
17 of each odd-numbered year. The board's recommendations for the four-
18 year institutions must include the relative share of the higher
19 education capital budget that the board recommends be assigned to each
20 project category, as defined in section 2 of this act, and to minor
21 works program and preservation.

22 (5) Institutions and the state board for community and technical
23 colleges shall submit any supplemental budget requests and revisions to
24 the board at the same time they are submitted to the office of
25 financial management. The board shall submit recommendations on the
26 proposed supplemental budget requests to the office of financial
27 management by November 1st and to the legislature by January 1st.

28 NEW SECTION. Sec. 5. RCW 28B.76.220 (Prioritized capital project
29 lists for higher education institutions) and 2004 c 275 s 8 & 2003 1st
30 sp.s. c 8 s 2 are each repealed.

31 NEW SECTION. Sec. 6. Section 2 of this act constitutes a new
32 chapter in Title 43 RCW.

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