

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 3329

60th Legislature
2008 Regular Session

Passed by the House March 12, 2008
Yeas 97 Nays 0

Speaker of the House of Representatives

Passed by the Senate March 11, 2008
Yeas 49 Nays 0

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 3329** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 3329

AS AMENDED BY THE SENATE

Passed Legislature - 2008 Regular Session

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 at
28 main and branch campuses, at existing or new university centers, or
29 through distance learning. Growth projects should provide significant
30 additional student capacity. Proposed projects must demonstrate that
31 they are based on solid enrollment demand projections, more
32 cost-effectively provide enrollment access than alternatives such as
33 university centers and distance learning, and make cost-effective use
34 of existing and proposed new space;

35 (b) Projects that replace failing permanent buildings or renovate
36 facilities to restore building life and upgrade space to meet current
37 program requirements. Facilities that cannot be economically renovated

1 are considered replacement projects. Renovation projects should
2 represent a complete renovation of a total facility or an isolated wing
3 of a facility. A reasonable renovation project should cost between
4 sixty to eighty percent of current replacement value and restore the
5 renovated area to at least twenty-five years of useful life. New space
6 may be programmed for the same or a different use than the space being
7 replaced or renovated and may include additions to improve access and
8 enhance the relationship of program or support space;

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

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

13 (e) Other project categories as determined by the office of
14 financial management in consultation with the legislative fiscal
15 committees.

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

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

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

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

36 (c) To the extent possible, the objective analysis and scoring
37 system of all capital budget projects shall occur within the context of
38 any and all performance agreements between the office of financial

1 management and the governing board of a public, four-year institution
2 of higher education that aligns goals, priorities, desired outcomes,
3 flexibility, institutional mission, accountability, and levels of
4 resources.

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

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

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

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

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

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

29 (7) By August 15th of each even-numbered year, beginning in 2008,
30 each public four-year higher education institution shall prepare and
31 submit prioritized lists of the individual projects proposed by the
32 institution for the ensuing six-year period in each category. On a
33 pilot basis, the office of financial management shall require one
34 research university to prepare two separate prioritized lists for each
35 category, one for the main campus, and one covering all of the
36 institution's branch campuses. The office of financial management
37 shall report to the legislative fiscal committees by December 1, 2009,
38 on the effect of this pilot project on capital project financing for

1 all branch campuses. The lists must be submitted to the office of
2 financial management and the legislative fiscal committees. The four-
3 year institutions may aggregate minor works project proposals by
4 primary purpose for ranking purposes. Proposed minor works projects
5 must be prioritized within the aggregated proposal, and supporting
6 documentation, including project descriptions and cost estimates, must
7 be provided to the office of financial management and the legislative
8 fiscal committees.

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

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

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

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

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

3 (1) The board shall collaborate with the four-year institutions
4 including the council of presidents, the community and technical
5 college system, and when appropriate the workforce training and
6 education coordinating board, the superintendent of public instruction,
7 and the independent higher educational institutions to identify budget
8 priorities and levels of funding for higher education, including the
9 two and four-year institutions of higher education and state financial
10 aid programs. It is the intent of the legislature that recommendations
11 from the board reflect not merely the sum of budget requests from
12 multiple institutions, but prioritized funding needs for the overall
13 system of higher education.

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

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

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

36 (c) Capital budget outlines for the four-year institutions must be
37 submitted by August 15th of each even-numbered year, and must include:
38 The institutions' priority ranking of the project; the capital budget

1 category within which the project will be submitted to the office of
2 financial management in accordance with section 2 of this act; a
3 description of each capital project; and the amount and fund source
4 being requested.

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

7 (3) The board shall review and evaluate the operating and capital
8 budget requests from four-year institutions and the community and
9 technical college system based on how the requests align with the
10 board's budget priorities, the missions of the institutions, and the
11 statewide strategic master plan for higher education under RCW
12 28B.76.200.

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

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

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

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

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