

# SENATE BILL REPORT

## SB 5576

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As Reported by Senate Committee On:  
Ways & Means, February 24, 2011

**Title:** An act relating to capital construction and building purposes at the University of Washington and Washington State University.

**Brief Description:** Regarding capital construction and building purposes at the University of Washington and Washington State University.

**Sponsors:** Senators Kilmer, Zarelli, Tom and Shin; by request of University of Washington and Washington State University.

**Brief History:**

**Committee Activity:** Ways & Means: 2/15/11, 2/24/11 [DPS, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5576 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Baumgartner, Baxter, Brown, Conway, Fraser, Hatfield, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Pflug, Pridemore, Regala, Rockefeller, Schoesler and Tom.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Parlette, Ranking Minority Member Capital.

**Staff:** Maria Hovde (786-7710)

**Background:** Students attending state institutions of higher education may be charged, as a portion of their tuition, fees for specific services, including athletics, technology, services and activities, operating, and building fees. The building fee is between 3 and 5 percent of total tuition costs at the University of Washington and Washington State University. For the University of Washington, approximately 50 percent of the revenue collected from the building fees is deposited into the University of Washington Bond Retirement Fund and the remainder is deposited into the University of Washington Building Account. For Washington State University, approximately 50 percent of the revenue collected from the building fees is deposited into the Washington State University Bond Retirement Fund and the remainder is

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deposited into the Washington State University Building Account. The University of Washington Bond Retirement Fund and the Washington State University Bond Retirement Fund also receive revenues from the sale or lease of land or valuable materials on that land.

Both the University of Washington Bond Retirement Fund and the Washington State University Bond Retirement Fund are non-appropriated accounts and are used for the payment of debt service on bonds and remaining funds may be transferred to the building accounts. Both the University of Washington Building Account and the Washington State University Building Account are accounts that are appropriated by the Legislature and are used for erecting, altering, maintaining, equipping or furnishing buildings, and for certificates of participation.

**Summary of Bill (Recommended Substitute):** The University of Washington Bond Retirement Fund and the Washington State University Bond Retirement Fund are eliminated and the University of Washington Building Account and the Washington State University Building Account are made local, non-appropriated accounts. The University of Washington Building Account and the Washington State University Building Account must continue to be used to fund high priority major and minor capital projects, including deferred maintenance, and other university building purposes. Funds used for minor works projects and deferred maintenance must be no less than the levels appropriated for these purposes in the 2007-09 biennial capital budget, adjusted annually by the rate of inflation as measured by the consumer price index

University building purposes is defined to mean to pay or finance costs of acquiring, erecting, altering, maintaining, equipping, furnishing, or operating buildings, including payment of debt service on bonds and certificates of participation. If the building accounts are to be used to pay for debt service on university general revenue bonds, a comparable portion of the proceeds of the bonds are to be used for university building purposes. University building purposes does not include auxiliary enterprise facility projects that have separate and distinct revenue sources, such as student housing, dining facilities, or athletic facilities.

The University of Washington and Washington State University are required to report by January 15 of each year the project level expenditures from the building accounts, all bond sales against the account revenue completed during the prior fiscal year, and an estimate of bonds expected to be issued in the current fiscal year.

This act expires on June 30, 2023.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** Funds used for minor works projects and deferred maintenance must be no less than the levels appropriated for these purposes in the 2007-09 biennial capital budget, adjusted annually by the rate of inflation as measured by the consumer price index. If the building accounts are to be used to pay for debt service on university general revenue bonds, a comparable portion of the proceeds of the bonds are to be used for university building purposes.

The University of Washington and Washington State University are required to report by January 15 of each year the project level expenditures from the building accounts, all bond sales against the account revenue completed during the prior fiscal year, and an estimate of bonds expected to be issued in the current fiscal year.

This act expires on June 30, 2023.

**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 Original Bill:** PRO: This bill will enable the universities to use these funds more strategically and will help to enhance cost effectiveness and efficiency. Additionally, this will ensure building fees collected from students are spent for the purposes they were intended. In 2007 the Legislature authorized the University of Washington and Washington State University to issue general revenue bonds locally for building construction. Managing the resources in multiple accounts is challenging and project-by-project capital management is expensive and inefficient. Consolidating those revenues into a local account will leverage additional debt capacity for the universities and will allow for long-term management of those assets. This will allow for greater management of minor works projects and deferred maintenance and due to the strong bond rating at the University of Washington, will reduce costs. This bill will not impact the debt capacity of the state, nor will it impact the level of fees charged to the students and the use of the fund is restricted to capital purposes. We are working with the prime sponsor on language that will strengthen oversight and accountability. There is currently high unemployment rates in the construction trades, and this bill encourages job growth. This bill provides much needed flexibility for capital funding and will still be used to fund preservation and minor works, just more efficiently.

OTHER: Spending in the operating and capital budgets is linked. Caution should be taken when moving appropriated accounts into non-appropriated status.

**Persons Testifying:** PRO: Senator Kilmer, prime sponsor; Quinn Majeski, Washington Student Association, Associated Students of the University of Washington; Margaret Shepherd, University of Washington; Cody Arledge, Sheet Metal Workers Local 66; Chris Mulick, Washington State University.

OTHER: Jim Crawford, Office of Financial Management.