

SENATE BILL REPORT

SSB 5576

As Reported by Senate Committee On:
Ways & Means, January 26, 2012

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: Senate Committee on Ways & Means (originally sponsored by 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]; 1/24/12, 1/26/12 [DP2S].

SENATE COMMITTEE ON WAYS & MEANS

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

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

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 deposited into the Washington State University Building Account. The University of

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.

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: The bill as referred to committee not considered.

Summary of Bill (Recommended Second 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 2009-11 biennial capital budget, adjusted annually by the rate of inflation as measured by the consumer price index.

University building purposes means 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 must report annually, by January 15, 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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: This act takes effect July 1, 2013 and expires on June 30, 2023.

Staff Summary of Public Testimony: PRO: This bill creates jobs and reduces capital project costs. It allows the state to leverage the bonding capability of the University of Washington without impacting debt and allows the state to take advantage of the University

of Washington's current AA+ bond rating, which will save the state millions in debt service costs. The bill gives the institutions greater ability to plan and manage resources and includes accountability measures to ensure that minor works funding is maintained along with reporting requirements. This bill provides Washington State University greater flexibility over trust land revenues and building fees, which will allow for more flexibility in dealing with capital needs and allows the state to capitalize on favorable bidding environments.

Persons Testifying: PRO: Margaret Shepherd, University of WA; Chris Mulick, WA State University.