

HOUSE BILL REPORT

HB 1769

As Reported by House Committee On:

Higher Education
Capital Budget

Title: An act relating to creating efficiencies for institutions of higher education.

Brief Description: Creating efficiencies for institutions of higher education.

Sponsors: Representatives Stonier, Zeiger, Stanford, Warnick, Seaquist, Haler, Ryu, Springer, Morrell, Fey, Pollet, Riccelli and Fagan.

Brief History:

Committee Activity:

Higher Education: 2/13/13, 2/14/13 [DP];

Capital Budget: 2/25/13 [DPS].

Brief Summary of Substitute Bill

- Increases the threshold for minor works projects from \$2 million to \$5 million for higher education institutions.
- Increases the threshold for predesign requirements for major construction works from \$5 million to \$10 million for higher education institutions.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 18 members: Representatives Seaquist, Chair; Pollet, Vice Chair; Haler, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Fagan, Hansen, Hargrove, Johnson, Magendanz, Pedersen, Reykdal, Riccelli, Sawyer, Scott, Sells, Smith, Tarleton and Wylie.

Staff: Madeleine Thompson (786-7304).

Background:

The capital budget includes appropriations for the construction and repair of colleges and universities, state office buildings, prisons and juvenile rehabilitation facilities, parks, public schools, and for other capital facilities and programs.

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.

Minor Works Projects.

Minor works appropriations in the capital budget are lump sum appropriations to cover smaller preservation and programmatic projects that are similar in nature and cost less than \$1 million for most state agencies, or less than \$2 million for higher education institutions. Typically minor works projects are completed within one biennium. State agencies must file minor works lists and requested revisions with the Office of Financial Management (OFM), the House Capital Budget Committee, and the Senate Ways and Means Committee.

Predesigns for Major Capital Projects.

A predesign is a decision-making tool that is required for all capital projects that exceed \$5 million. The Legislature and the OFM may also require a predesign for certain stand-alone projects between \$1 million and \$5 million. The purpose of the predesign is to clearly identify the facility need or problem to be addressed and provide an analysis of options to meet the need or solve the problem. The predesign includes information about the space needs of the proposed program, alternatives to the preferred project, and estimated budget information. The predesign often is prepared by architectural consultants and usually includes a detailed space plan.

Financing.

With appropriation by the Legislature in the Capital Budget, the higher education institutions may finance the acquisition, construction, and renovation of facilities using state bonds. The University of Washington and the Washington State University may issue their own bonds for certain purposes without the approval of the Legislature. In addition to financing through state bonds, higher education institutions may use other financing contracts, such as Certificates of Participation (COPs), which are a type of security sold for a particular purpose and backed by any component of fees and revenues the higher education institution derives from its ownership and operation of facilities, or grants the institution receives. The COPs are not subject to appropriation by the Legislature, do not obligate State General Fund revenues to be used for their completion, and do not count toward the state debt limit.

Real Property.

Generally, state law requires that financing contracts for real property must not be entered into without the prior approval of the state Legislature. A financing contract must be treated as used for real property if it is being entered into by the state for the acquisition of land, the acquisition of an existing building, the construction of a new building or a major remodeling, renovation, rehabilitation, or rebuilding on an existing building. Financing contracts may be entered into without the prior approval of the Legislature if they are for the purposes of financing research facilities at the state's research universities, or if they are related to certain types of energy conservation improvements.

Summary of Bill:

The minor works project threshold for higher education institutions is raised from \$2 million to \$5 million. The predesign threshold for higher education institutions is raised from \$5 million to \$10 million.

The regional universities, The Evergreen State College, and the community and technical colleges are permitted to enter into financing contracts for real property as long as these are payable only from local fees that are not appropriated or allotted, and revenues such as those derived from an institution's ownership and operation of its facilities. These contracts are not subject to allotment or appropriation by the Legislature, do not obligate State General Fund revenues to be used for their completion, and do not count toward the state debt limit. These contracts must be approved by the State Finance Committee but do not require further legislative authorization.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Giving institutions of higher education these flexibilities will help to shorten the timeline on key capital projects that serve businesses and students. Sometimes waiting for legislative approval can cause projects to be delayed for up to a year. These thresholds might make sense for smaller agencies but for a college or university campus with many large projects, they do not. The predesign threshold was set in place in 1993 and inflation has surpassed this threshold by a long way. This would not change our process for putting projects out to bid.

(Opposed) None.

Persons Testifying: Nancy McKinney, South Puget Sound Community College; Chris Mulick, Washington State University; and Steve DuPoint, Central Washington University.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Dunshee, Chair; Stanford, Vice Chair; Warnick, Ranking Minority Member; Hawkins, Assistant Ranking Minority Member; Appleton, Fey, MacEwen, Riccelli, Scott, Smith and Stonier.

Staff: Steve Masse (786-7115).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Higher Education:

The original bill authorized regional universities, The Evergreen State College, and the community and technical colleges to enter into financing contracts for real property without the Legislature's approval. The bill as passed committee removes the authority for regional universities, The Evergreen State College, and community and technical colleges to enter into financing contracts without legislative approval.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The schools will save time and money by not having to develop and approve predesigns for small projects under \$10 million. This will prevent inflation from affecting the project budget. Intermediate projects between \$2 million and \$5 million will be done under minor works lists and will be easier to fund and more projects will be done. The minor works projects may still be competitively bid.

(With concerns) Projects between \$5 million and \$10 million need a predesign to identify the program. Without this it may slow down the project.

(Opposed) None.

Persons Testifying: (In support) Nancy McKinney, South Puget Sound Community College; Chris Mulick, Washington State University; and David Buri, Council of Presidents.

(With concerns) Larry Stevens, Mechanical Contractors Association.

Persons Signed In To Testify But Not Testifying: None.