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HOUSE BILL 2308

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State of Washington                      63rd Legislature                      2014 Regular Session

By Representative Condotta

Read first time 01/15/14. Referred to Committee on Higher Education.

1            AN ACT Relating to the audit of the state universities; creating  
2 new sections; and providing an expiration date.

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

4            NEW SECTION.    **Sec. 1.** The legislature recognizes the historical  
5 financial hardship being placed on students and the chilling effect  
6 high tuition places on prospective students. The legislature finds  
7 that in order to evaluate and appropriate public resources in a manner  
8 that best supports and promotes equity of access to higher education,  
9 it needs complete information regarding the financial situation and  
10 circumstances of Washington state's public research universities, the  
11 University of Washington and Washington State University. Therefore,  
12 the legislature intends to direct a comprehensive audit of the public  
13 research universities to identify sources that contribute funding to  
14 undergraduate instruction, the uses made of tuition and fees required  
15 of undergraduate students, and the universities' expenditures on  
16 undergraduate instruction and direct support for undergraduate  
17 instruction.

1           NEW SECTION.   **Sec. 2.**   (1) The state auditor shall conduct a  
2 comprehensive financial audit of Washington's state universities. The  
3 purpose of the audit is to identify cost and profit centers within, and  
4 in partnership with, the state universities. The audit must focus on  
5 public funds; student fees, in particular tuition; and auxiliary  
6 enterprises, which for the purposes of the audit at the University of  
7 Washington includes University of Washington medical center, the  
8 internal lending program, the W fund, and the center for  
9 commercialization. The audit at each university must achieve the  
10 following:

11           (a) Identify the major sources of funding over the most recent five  
12 years, including public funding and funding from the federal  
13 government;

14           (b) Review and evaluate the policies and practices that the  
15 university uses to track and allocate public funding;

16           (c) Determine how the university spent its state appropriations,  
17 student fees, federal grant funding, and any inflationary increases in  
18 federal grant funding;

19           (d) Review and evaluate the procedures and practices used by the  
20 university to track and adjust nonsalary expenditure categories such as  
21 travel, consultants, entertainment, and general supplies;

22           (e) Identify how the university defines restricted funds and  
23 determine for each type of public funding the amount that is restricted  
24 to specific purposes by the funding source;

25           (f) Assess the university's policies and practices for tracking  
26 per-student expenditures for instruction and identify the average  
27 amount per student that the university has spent on instruction for  
28 undergraduate students in each of the past five fiscal years;

29           (g) Obtain the university's definition of auxiliary enterprises and  
30 determine the number of auxiliary enterprises, including the University  
31 of Washington medical center, the University of Washington internal  
32 lending program, the W fund, and the center for commercialization, that  
33 exist in the university system, the methods the university uses to  
34 track revenues and expenditures of auxiliary enterprises, and the  
35 policies and practices the university has in place to ensure that state  
36 funding is not used to supplement or guarantee projects or programs  
37 authorized by auxiliary enterprises;

1 (h) Identify how much money is being spent per student on  
2 undergraduate education and to what extent undergraduate education is  
3 subsidizing graduate education. In determining the per student costs  
4 of undergraduate education, the state auditor shall use the December  
5 15, 2007, methodology for the cost of undergraduate education at a  
6 research university, devised by professor Charles Schwartz; and

7 (i) Determine how tuition funds and fees required of undergraduate  
8 students are being used and to what extent they are being used to fund  
9 the University of Washington medical center, the University of  
10 Washington internal lending program, research and research  
11 administration, the W fund, and the center for commercialization and to  
12 back bonds authorized by the university.

13 (2) Any work performed by the state auditor's office shall not  
14 duplicate existing audits, and where applicable, shall make maximum use  
15 of existing audit records, accreditation reviews, and performance  
16 measures required by the office of financial management and nationally  
17 or regionally recognized accreditation organizations including  
18 accreditation of hospitals licensed under chapter 70.41 RCW and  
19 ambulatory care facilities.

20 (3) By January 1, 2015, the state auditor shall deliver the  
21 comprehensive financial audit of the state universities to the governor  
22 and relevant committees of the legislature. The state auditor shall  
23 recommend whether follow-up audits are necessary to ensure the  
24 effective use of public funds, student fees, and auxiliary enterprises.

25 (4) This section expires July 1, 2015.

26 NEW SECTION. **Sec. 3.** By December 1, 2014, the University of  
27 Washington shall provide the legislature with the following:

28 (1) Verifiable and accurate documentation to support the state,  
29 federal, and private funds spent by the center for commercialization  
30 between July 1, 2008, and June 30, 2014, and provide an accounting of  
31 the impact of those expenditures in terms of the date of first  
32 commercial sale or use of new products based on intellectual property  
33 licensed from the university, whether any such products are  
34 manufactured in Washington state, new jobs directly created in  
35 Washington state, and income received from intellectual property  
36 licensed during the reporting period in this subsection, with an

1 accounting of costs incurred by the center for commercialization in the  
2 management of intellectual property during the reporting period in this  
3 subsection;

4 (2) The capitalization history of the University of Washington  
5 internal lending program;

6 (3) For the W fund, the allocation of state funds to private, for-  
7 profit companies, including W Fund Management, LLC and the W Fund LP;

8 (4) An accounting of the use of income received by the University  
9 of Washington from the Washington research foundation between July 1,  
10 2008, and June 30, 2014, as the University of Washington's share of the  
11 royalties on the inventions known as the Hall patents; and

12 (5) An accounting of the use of funding provided for renovation and  
13 remodeling of Fluke Hall.

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