

# HOUSE BILL REPORT

## SB 5087

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to the evaluation and prioritization of capital budget projects at the public two-year and four-year institutions of higher education.

**Brief Description:** Concerning the evaluation and prioritization of capital budget projects at the public two-year and four-year institutions of higher education.

**Sponsors:** Senators Honeyford and Frockt; by request of Office of Financial Management.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 3/14/17, 3/21/17 [DPA].

#### **Brief Summary of Bill (As Amended by Committee)**

- Requires the Office of Financial Management (OFM) to develop learning space utilization standards, reasonableness of cost standards, and a scoring and prioritization matrix for capital projects at four-year higher education institutions.
- Requires higher education institutions to prepare and submit capital project proposals for scoring to the OFM and the Legislature by August 15 of even-numbered years.
- Requires the OFM to submit to the Legislature, scored higher education capital project proposals for four-year institutions by October 1 of even-numbered years.
- Eliminates duplicative language.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** Do pass as amended. Signed by 19 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Dye, Johnson, Koster, Kraft, MacEwen, Macri, Morris, Reeves, Riccelli, Ryu, Sells, Steele, Stonier and J. Walsh.

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*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.*

**Staff:** Christine Thomas (786-7142).

**Background:**

In 2003 the Legislature directed the Council of Presidents and the Higher Education Coordinating Board (HECB) to develop a method to guide capital appropriation decisions by rating and individually ranking all major capital projects for public four-year institutions. The resulting list of ranked projects was to be approved by the governing boards of each four-year institution.

In 2005 the Legislature provided additional guidance to refine the method used for the ranking of four-year institutions' construction project requests. Greater emphasis was placed on early critical review of project proposals. Scoring and ranking of projects could not be based on assigning an equal number of overall points to each four-year institution. The ranking was to address statewide priorities, and the process was to use a facility condition index established by the Joint Legislative Audit and Review Committee.

In 2008 legislation further modified the prioritization process by requiring the Office of Financial Management (OFM) to complete an analysis and scoring of all four-year institution construction projects. Each of the proposed projects are scored within a single project category according to its primary purpose. The seven project categories are: predesign; enrollment growth; replacement and renovation; major campus infrastructure; research projects that promote economic growth and innovation; land acquisition; and other project categories as determined by the OFM and the legislative fiscal committees.

In 2011 legislation replaced the HECB with the Washington Student Achievement Council (WSAC). The 2011 legislation also made further changes to the four-year scoring process and required the OFM, and not the WSAC, to rank major capital projects at the four-year institutions in a single list in priority order. The legislation directed the WSAC to identify a combination of projects that will most cost-effectively achieve the state's goals. These goals include:

1. increasing baccalaureate and graduate degree production, particularly in high-demand fields;
2. promoting economic development through research and innovation;
3. providing quality, affordable educational environments;
4. preserving existing assets; and
5. maximizing the efficient utilization of instructional space.

The OFM is also required to assume that the overall funding level of the prioritized list remains the same as the level of funding provided by the Legislature in the previous biennium.

In 2015 the Legislature included a provision in the 2015-17 Capital Budget that directed the OFM to form a four-year prioritized Capital Project List Technical Work Group with staff from the Office of Program Research, Senate Committee Services, the four-year institutions, and the Council of Presidents. The work group reported its findings and recommendations in December 2015. Recommendations included proposed statutory changes to eliminate redundancies and contradictions in competing statutes.

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**Summary of Amended Bill:**

The OFM is required to develop learning space utilization standards, as well as standards for reasonableness of costs, for higher education facilities. The OFM is also required to develop a criteria scoring and prioritization matrix to score projects on specific criteria and weight the scores to produce single prioritized lists of higher education capital projects of four-year institutions. The four-year higher education institutions, submit capital project proposals for scoring, and a prioritized list of up to five of those proposals, to the OFM and the Legislature by August 15 of each even-numbered year. The OFM submits scored higher education capital project proposals, based on a scoring process by capital project category or combination of categories, to the Legislature by October 1 of each even-numbered year. Duplicative language is removed.

**Amended Bill Compared to Original Bill:**

The original bill merged language of two statutes that described the scoring process within single categories as well as a scoring and prioritization process of higher education capital projects that resulted in a single prioritized list. While duplicative language was removed, the processes, evaluation criteria, and the administration of the processes remained relatively unchanged under the original bill. The amended bill eliminates the requirement for the OFM to produce a single, prioritized list of capital projects at public institutions of four-year higher education. Instead, the OFM facilitates a scoring process that evaluates how well a particular project satisfies higher education capital project criteria. The OFM develops a prioritization matrix for decision makers to use to weigh the importance of satisfying the criteria to produce single prioritized lists of capital project proposals of higher education institutions. The OFM also develops standards for utilization of learning space, as well as reasonableness of cost standards, for higher education institutions.

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**Appropriation:** None.**Fiscal Note:** Available.**Effective Date of Amended 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 process to prioritize capital project requests of four-year higher education institution is well intentioned but unworkable. Little consideration is made to individual institutional priorities developed through a comprehensive planning process. Clarifying language for the underlying bill or the striking amendment would streamline and improve the process to be more equitable, objective, and transparent. Updating criteria and paying

explicit attention to the institutional priorities would convey both quality and priority of higher education capital projects moving forward.

(Opposed) None.

(Other) The four-year institutions are separate agencies that conduct excessively thorough processes to develop their capital budget requests. Institutional priority should be incorporated into the process to develop a single, prioritized list of capital projects for the four-year institutions of higher education. Updating standards and criteria is a shared goal, and consensus could be achieved over the interim. The underlying bill was technical in nature and the proposed amendment goes further and would require additional resources.

**Persons Testifying:** (In support) Senator Honeyford, prime sponsor; Becca Kenna-Schenk, Western Washington University; Alicia Kinne-Clawson, Eastern Washington University; and Collen Rust, The Evergreen State College.

(Other) Steve Dupont, Central Washington University; Jim Crawford, Office of Financial Management; Joe Dacca, University of Washington; and Chris Mulick, Washington State University.

**Persons Signed In To Testify But Not Testifying:** None.