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HOUSE BILL 1325

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State of Washington

65th Legislature

2017 Regular Session

By Representative Tharinger; by request of Office of Financial Management

1 AN ACT Relating to the evaluation and prioritization of capital  
2 budget projects at the public two-year and four-year institutions of  
3 higher education; and amending RCW 43.88D.010 and 28B.77.070.

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

5 **Sec. 1.** RCW 43.88D.010 and 2012 c 229 s 821 are each amended to  
6 read as follows:

7 (1) By October 1st of each even-numbered year, the office of  
8 financial management shall complete an objective analysis and scoring  
9 of all capital budget projects proposed by the public four-year  
10 institutions of higher education and submit the results of the  
11 scoring process to the legislative fiscal committees and the four-  
12 year institutions. Each project must be reviewed and scored within  
13 one of the following categories, according to the project's principal  
14 purpose. Each project may be scored in only one category. The  
15 categories are:

16 (a) Access-related projects to accommodate enrollment growth at  
17 main and branch campuses, at existing or new university centers, or  
18 through distance learning. Growth projects should provide significant  
19 additional student capacity. Proposed projects must demonstrate that  
20 they are based on solid enrollment demand projections, more  
21 cost-effectively provide enrollment access than alternatives such as

1 university centers and distance learning, and make cost-effective use  
2 of existing and proposed new space;

3 (b) Projects that replace failing permanent buildings. Facilities  
4 that cannot be economically renovated are considered replacement  
5 projects. New space may be programmed for the same or a different use  
6 than the space being replaced and may include additions to improve  
7 access and enhance the relationship of program or support space;

8 (c) Projects that renovate facilities to restore building life  
9 and upgrade space to meet current program requirements. Renovation  
10 projects should represent a complete renovation of a total facility  
11 or an isolated wing of a facility. A reasonable renovation project  
12 should cost between sixty to eighty percent of current replacement  
13 value and restore the renovated area to at least twenty-five years of  
14 useful life. New space may be programmed for the same or a different  
15 use than the space being renovated and may include additions to  
16 improve access and enhance the relationship of program or support  
17 space;

18 (d) Major stand-alone campus infrastructure projects;

19 (e) Projects that promote economic growth and innovation through  
20 expanded research activity. The acquisition and installation of  
21 specialized equipment is authorized under this category; and

22 (f) Other project categories as determined by the office of  
23 financial management in consultation with the legislative fiscal  
24 committees.

25 (2) The office of financial management, in consultation with the  
26 legislative fiscal committees, shall establish a scoring system and  
27 process for each four-year project category (~~that is based on the~~  
28 ~~framework used in the community and technical college system of~~  
29 ~~prioritization~~). Staff from the state board for community and  
30 technical colleges and the four-year institutions shall provide  
31 technical assistance on the development of a scoring system and  
32 process.

33 (3) The office of financial management shall consult with the  
34 legislative fiscal committees in the scoring of four-year institution  
35 project proposals, and may also solicit participation by independent  
36 experts.

37 (a) For each four-year project category, the scoring system must,  
38 at a minimum, include an evaluation of enrollment trends,  
39 reasonableness of cost, the ability of the project to enhance

1 specific strategic master plan goals, age and condition of the  
2 facility if applicable, and impact on space utilization.

3 (b) Each four-year project category may include projects at the  
4 predesign, design, or construction funding phase.

5 (c) To the extent possible, the objective analysis and scoring  
6 system of all capital budget projects shall occur within the context  
7 of any and all performance agreements between the office of financial  
8 management and the governing board of a public, four-year institution  
9 of higher education that aligns goals, priorities, desired outcomes,  
10 flexibility, institutional mission, accountability, and levels of  
11 resources.

12 (4) In evaluating and scoring four-year institution projects, the  
13 office of financial management shall take into consideration project  
14 schedules that result in realistic, balanced, and predictable  
15 expenditure patterns over the ensuing three biennia.

16 (5) The office of financial management shall distribute common  
17 definitions, the scoring system, and other information required for  
18 the project proposal and scoring process as part of its biennial  
19 budget instructions. The office of financial management, in  
20 consultation with the legislative fiscal committees, shall develop  
21 common definitions that four-year institutions must use in developing  
22 their project proposals and lists under this section.

23 (6) In developing any scoring system for capital projects  
24 proposed by the four-year institutions, the office of financial  
25 management:

26 (a) Shall be provided with all required information by the four-  
27 year institutions as deemed necessary by the office of financial  
28 management;

29 (b) May utilize independent services to verify, sample, or  
30 evaluate information provided to the office of financial management  
31 by the four-year institutions; and

32 (c) Shall have full access to all data maintained by the joint  
33 legislative audit and review committee concerning the condition of  
34 higher education facilities.

35 (7) By August (~~1st~~) 15th of each even-numbered year each public  
36 four-year higher education institution shall prepare and submit  
37 prioritized lists of the individual projects proposed by the  
38 institution for the ensuing six-year period in each category along  
39 with capital budget outlines for the ensuing biennium including: The  
40 institutions' priority ranking of the project; the capital budget

1 category within which the project will be submitted; a description of  
2 each capital project; and the amount and fund source being requested.  
3 The lists must be submitted to the office of financial management and  
4 the legislative fiscal committees. The four-year institutions may  
5 aggregate minor works project proposals by primary purpose for  
6 ranking purposes. Proposed minor works projects must be prioritized  
7 within the aggregated proposal, and supporting documentation,  
8 including project descriptions and cost estimates, must be provided  
9 to the office of financial management and the legislative fiscal  
10 committees.

11 (8) Capital budget outlines for the two-year institutions must be  
12 submitted to the office of financial management by August 15th of  
13 each even-numbered year, and must include the prioritized ranking of  
14 the capital projects being requested, a description of each capital  
15 project, and the amount and fund source being requested.

16 (9) Institutions and the state board for community and technical  
17 colleges shall submit any supplemental capital budget requests and  
18 revisions to the office of financial management by November 1st and  
19 to the legislature by January 1st.

20 (10)(a) The office of financial management shall develop a single  
21 prioritized list of capital projects for the legislature to consider  
22 that includes all of the projects requested by the four-year  
23 institutions of higher education that were scored by the office of  
24 financial management pursuant to subsections (1) through (7) of this  
25 section, including projects that were scored in previous biennia and  
26 received funding for an early project phase or not funded, so long as  
27 the project has been requested for inclusion in the upcoming biennial  
28 capital budget. The single prioritized list of capital projects must  
29 be based on the following priorities in the following order:

30 (i) Office of financial management scores pursuant to subsections  
31 (1) through (7) of this section;

32 (ii) Preserving assets;

33 (iii) Degree production; and

34 (iv) Maximizing efficient use of instructional space.

35 (b) The office of financial management shall include all of the  
36 capital projects requested by the four-year institutions of higher  
37 education for inclusion in the upcoming biennial capital budget,  
38 except for the minor works projects, in the single prioritized list  
39 of capital projects provided to the legislature.

1        (c) The form of the prioritized list for capital projects  
2 requested by the four-year institutions of higher education must be  
3 provided as one list, ranked in priority order. The ranking for the  
4 prioritized list of capital projects may not:

- 5        (i) Include subpriorities;  
6        (ii) Be organized by category;  
7        (iii) Consider the fund source or amount requested; or  
8        (iv) Assume any specific institutional share or distribution  
9 pattern of projects among institutions in the priority list.

10        **Sec. 2.** RCW 28B.77.070 and 2012 c 229 s 110 are each amended to  
11 read as follows:

12        (1) The council shall identify budget priorities and levels of  
13 funding for higher education, including the two and four-year  
14 institutions of higher education and state financial aid programs. It  
15 is the intent of the legislature for the council to make budget  
16 recommendations for allocations for major policy changes in  
17 accordance with priorities set forth in the ten-year plan, but the  
18 legislature does not intend for the council to review and make  
19 recommendations on individual institutional budgets. It is the intent  
20 of the legislature that recommendations from the council prioritize  
21 funding needs for the overall system of higher education in  
22 accordance with priorities set forth in the ten-year plan. It is also  
23 the intent of the legislature that the council's recommendations take  
24 into consideration the total per-student funding at similar public  
25 institutions of higher education in the global challenge states.

26        (2) By December of each odd-numbered year, the council shall  
27 outline the council's fiscal priorities under the ten-year plan that  
28 it must distribute to the institutions, the state board for community  
29 and technical colleges, the office of financial management, and the  
30 joint higher education committee.

31        ~~((a) Capital budget outlines for the two-year institutions shall~~  
32 ~~be submitted to the office of financial management by August 15th of~~  
33 ~~each even-numbered year, and shall include the prioritized ranking of~~  
34 ~~the capital projects being requested, a description of each capital~~  
35 ~~project, and the amount and fund source being requested.~~

36        ~~(b) Capital budget outlines for the four-year institutions must~~  
37 ~~be submitted to the office of financial management by August 15th of~~  
38 ~~each even-numbered year, and must include: The institutions' priority~~  
39 ~~ranking of the project; the capital budget category within which the~~

1 ~~project will be submitted to the office of financial management in~~  
2 ~~accordance with RCW 43.88D.010; a description of each capital~~  
3 ~~project; and the amount and fund source being requested.~~

4 ~~(c) The office of financial management shall reference these~~  
5 ~~reporting requirements in its budget instructions.))~~

6 (3) The council shall submit recommendations on the operating  
7 budget priorities to support the ten-year plan to the office of  
8 financial management by October 1st each year, and to the legislature  
9 by January 1st each year.

10 ~~((4)(a) The office of financial management shall develop one~~  
11 ~~prioritized list of capital projects for the legislature to consider~~  
12 ~~that includes all of the projects requested by the four-year~~  
13 ~~institutions of higher education that were scored by the office of~~  
14 ~~financial management pursuant to chapter 43.88D RCW, including~~  
15 ~~projects that were previously scored but not funded. The prioritized~~  
16 ~~list of capital projects shall be based on the following priorities~~  
17 ~~in the following order:~~

18 ~~(i) Office of financial management scores pursuant to chapter~~  
19 ~~43.88D RCW;~~

20 ~~(ii) Preserving assets;~~

21 ~~(iii) Degree production; and~~

22 ~~(iv) Maximizing efficient use of instructional space.~~

23 ~~(b) The office of financial management shall include all of the~~  
24 ~~capital projects requested by the four-year institutions of higher~~  
25 ~~education, except for the minor works projects, in the prioritized~~  
26 ~~list of capital projects provided to the legislature.~~

27 ~~(c) The form of the prioritized list for capital projects~~  
28 ~~requested by the four-year institutions of higher education shall be~~  
29 ~~provided as one list, ranked in priority order with the highest~~  
30 ~~priority project ranked number "1" through the lowest priority~~  
31 ~~project numbered last. The ranking for the prioritized list of~~  
32 ~~capital projects may not:~~

33 ~~(i) Include subpriorities;~~

34 ~~(ii) Be organized by category;~~

35 ~~(iii) Assume any state bond or building account biennial funding~~  
36 ~~level to prioritize the list; or~~

37 ~~(iv) Assume any specific share of projects by institution in the~~  
38 ~~priority list.~~

39 (5) Institutions and the state board for community and technical  
40 colleges shall submit any supplemental capital budget requests and

1 ~~revisions to the office of financial management by November 1st and~~  
2 ~~to the legislature by January 1st.) )~~

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