

W A S H I N G T O N
H I G H E R
EDUCATION
C O O R D I N A T I N G B O A R D

October 2003

INSTITUTIONAL SUPPLEMENTAL CAPITAL BUDGET REQUESTS

By statute, the Higher Education Coordinating Board (HECB) must review and make recommendations on institutions' supplemental capital budget proposals. Traditionally, the Legislature has used the supplemental capital budget for the following purposes:

- To provide **technical corrections** to the biennial capital budget (e.g., fund-source identification, reappropriation amounts, and project title);
- To make **changes in project scope or purpose** and to add, modify, or clarify special conditions contained as "proviso" in the appropriation language of capital projects;
- To **authorize new capital spending** for projects urgently needed to protect life, safety, and property and to continue state services and programs;
- To authorize **special planning studies** needed to inform capital policy decision-makers in the following year; and
- To a limited degree, **to authorize predesign, design, or construction** funding for new program-based capital projects.

The Governor and Legislature have traditionally avoided the authorization of new program-based projects in supplemental budgets. This is particularly true when General Obligation Bonds are proposed as the basis of project funding or to support a later project phase (e.g., construction). This policy relates both to bonding capacity within the statutory debt limit and the desire to evaluate every two years all capital needs within the context of the state's 10-year capital plan.

Fiscal Context

In 2003, the Legislature adopted a 2003-2005 capital budget of \$759 million for the public universities and colleges. Over \$581 million of the new spending was authorized from the sale of state general obligation bonds. This total spending level and the bond authorization is the largest ever received by higher education.

Part of this additional bond spending level (\$170 million) resulted from the passage of the “Building Washington’s Future Act” (ESSB 5908), the Gardner-Evans “Higher Education Leadership Project” (HELP) proposal. This legislation authorizes the State Finance Committee to issue, subject to legislative appropriation, approximately \$750,000,000 in General Obligation Bonds over three biennia, beginning in 2003-2005, to provide additional capital funding for higher education.

To accommodate this increase in higher education capital spending and to address other state capital needs, the Legislature enacted HB 2242. This legislation added the entire portion of the state property tax to the statutory definition of general fund revenues, thereby changing the “base” of the debt limit calculation and adding additional debt capacity (approximately \$395 million in 2003-2005).

This increase in debt capacity was needed not only to fund capital projects in the 2003-2005 biennium, but to ensure available debt capacity for future capital budgets.

Summary of Requests and Recommendations

As of October 7, 2003, the HECB had received supplemental capital budget requests from the State Board for Community and Technical Colleges (SBCTC) and Washington State University (WSU). These requests and the proposed HECB recommendation are summarized below.

State Board for Community and Technical Colleges

The State Board for Community and Technical Colleges requests two technical changes to the 2003-05 capital budget. These changes correct an error in a fund source for the South Puget Sound Community College Humanities/General Education complex. In addition, they modify the appropriation language for the Everett Monte Cristo project to allow for replacement instead of renovation. (This is due to significant seismic and mechanical system problems uncovered during initial design, making the building uneconomical to renovate.)

Additionally, the State Board for Community and Technical Colleges is seeking authorization for three new alternatively financed (Certificates of Participation) projects. Local funds are used for the debt service for these projects. This debt service is not included in the state’s debt limit calculation. The requested authorizations include:

1. Up to \$5,000,000 plus financing expenses and required reserves to construct an addition to the Pierce College/Ft. Steilacoom Health and Wellness Center.
2. Up to \$8,000,000 plus financing expenses and required reserves to construct a student gym and fitness center at Pierce College/Puyallup.

3. Up to \$8,000,000 plus financing expenses and required reserves to construct a Medical Technology and Science Education addition to the T-Building and establish the Washington Institute of Science Education (WISE) at Columbia Basin College.

HECB staff has reviewed these projects with SBCTC staff and agree that each project provides an important opportunity for meeting student support and learning needs. Board support is recommended.

Washington State University

Washington State University is requesting that three state-funded (bonds) projects be added to its 2003-2005 capital budget. The request includes:

- 1. \$20 million in state bonds to fund the first phase of the \$45 million Academic Center Building at Spokane-Riverpoint.**

Washington State University requested \$32.5 million for this project in the 2003-2005 “regular” budget. The Board recommended funding this request. Project funding was not included in either the Governor’s or Legislature’s budgets.

The design for this project (funded in 2001-2003) was completed in July 2003 with construction scheduled to begin in the 2003-2005 biennium. The project is part of the Riverpoint Campus Master Plan and is closely linked to the Riverpoint Nursing Building. Specifically, the Campus Master Plan calls for the Academic Center Building to provide classroom, library, and support spaces to be used, in part, by the Intercollegiate College of Nursing when the program moves into its new facility at Riverpoint. The Nursing Building was originally scheduled for design in the 2005-2007 biennium, with construction to be funded in the 2007-2009 biennium. The Legislature accelerated this schedule, though, by funding the design of the Nursing Building in the current biennium.

The \$20 million request for the Academic Center in the supplemental budget will allow WSU to complete the site preparation work and the building shell. The final phase of the project then would be completed in the 2005-2007 biennium, concurrent with the construction and completion of the Nursing Building.

- 2. \$3.4 million in state bonds for the first phase of the WSU-Pullman Wastewater Reclamation project.**

The need for the project is based on the declining Pullman Aquifer level and the University’s high rate of water consumption (2.8 million gallons per day). WSU requested \$10.7 million for this project in the 2003-2005 regular budget. The Board supported this request. However, project funding was not included in either the Governor’s or Legislature’s budgets.

WSU completed preliminary design of the facility last biennium. The requested supplemental funds would allow WSU to complete the design and conduct the on-site testing required for final permit approval by the Department of Ecology. WSU will request construction funding for the 2005-2007 biennium.

3. \$4 million in state bonds to continue the multi-biennia upgrade of the University's communication network infrastructure (WSUnet).

A backlog of approximately \$10 million in network upgrades currently exists. WSU sought funding for this project in the 2003-2005 regular budget. The Board and Governor recommended funding this project, but it was not included in the Legislature's capital budget.

Board support of the supplemental request for the Riverpoint Academic Center is recommended. While the Riverpoint Academic Center project is a program-driven request, not typically funded in the supplemental capital budget, the recommendation recognizes the critical relationship of the project to the Nursing Building project and schedule, as well as the Board's earlier recommendation to fund the project in the 2003-2005 regular budget.

It is also recommended that the Board encourage the Governor and Legislature to consider funding the Wastewater Reclamation Project and the improvements to the WSUnet infrastructure if additional debt capacity is available for the 2003-2005 biennium.

RESOLUTION NO. 03-32

WHEREAS, It is the responsibility of the Higher Education Coordinating Board to recommend higher education funding priorities to the Governor and the Legislature for regular biennial as well as supplemental budgets; and

WHEREAS, Washington State University and the State Board for Community and Technical Colleges have requested additional state funds in the fiscal year 2004 supplemental capital budget; and

WHEREAS, The Board's Fiscal Committee reviewed the supplemental capital budget requests during its October 15, 2003 meeting; and

WHEREAS, The Fiscal Committee recommended to the full Board approval of the requests on October 29, 2003;

THEREFORE, BE IT RESOLVED, That the Board adopts the recommendations of the Fiscal Committee with respect to the supplemental capital budget proposals for the 2004 legislative session; and

BE IT FURTHER RESOLVED, That the Board directs staff to forward those recommendations to the Governor and the Legislature.

Adopted:

October 29, 2003

Attest:

Bob Craves, Chair

Ann Ramsay-Jenkins, Secretary