



October 2007

Draft: 2009-11 Preliminary Operating and Capital Budget Guidelines

Purpose of the Operating and Capital Budget Guidelines

State statute (RCW 28B.76.210) directs the Higher Education Coordinating Board (HECB) to “review and evaluate” the operating and capital budget requests of the public colleges and universities and to submit recommendations on these requests to the Governor and Legislature.

The HECB budget review, evaluation, and recommendations are to be based on budget guidelines which articulate the board’s fiscal priorities for the ensuing biennium budget. These fiscal priorities are to be aligned with, and derived from, the goals and implementation strategies of the board’s Strategic Master Plan for Higher Education.

Through this alignment of state-level higher education goals with biennial budgetary priorities, the HECB budget recommendations offer the Governor and Legislature with a system perspective to higher education operating and capital needs. Hence, the HECB budget recommendations are intended to complement institutional information and requests by providing this system-wide perspective to the Governor and Legislature.

HECB 2009-11 Fiscal Priorities and the 2008 Higher Education Strategic Plan

The board will submit its *2008 Strategic Master Plan for Higher Education* to the Legislature and Governor in December 2007. That plan will contain the board’s goals and strategies for higher education over the next ten years (2008 through 2018).

As discussed above, the board’s fiscal priorities for 2009-11 will be derived from those goals and strategies. Accordingly, these preliminary guidelines will be amended in January 2008 to present the board’s specific operating and capital budget fiscal priorities for the 2009-11 biennium.

Timing of Budget Submittal Information to the HECB: Change in Statutory Requirements

In 2007, the Legislature adopted Engrossed Substitute House Bill 1883 which, in part (Section 202.2), changes the dates by which budget request information is due to the HECB and when the HECB budget recommendations are due to the Governor.

Specifically, budget request information (discussed below) is now due to the HECB by July 1st of each even-numbered year. The HECB budget recommendations are now due to the Governor on or before October 1st of each even-numbered year. The date for the HECB to submit its budget recommendations to the Legislature was not changed (January 1st of each odd-numbered year).

2009-11 Operating Budget Request Information: Contents and Formats

The operating budget information submitted to the HECB by July 1, 2008, should include the following information:

- A description of each policy enhancement or change being considered and/or requested by the institution.
- The fund source and dollar amount for each policy enhancement, displayed by fiscal year and biennial total.
- Specific identification of those policy enhancements which are non-recurring.
- The distribution of proposed student FTE increases by fiscal year and biennial total and specification of the proposed student FTE increase by:
 - Student level or SBCTC program category
 - FTE cost basis
 - Identification of general or high demand FTE

The institutions may use formats which are convenient for submitting this information. Electronic submittals' in Word or Excel are also acceptable and encouraged.

2009-11 Capital Budget Information

The preliminary or adopted prioritized lists of capital project requests developed pursuant to Engrossed Substitute House Bill (ESHB) 2151 should be submitted to the HECB by July 1, 2008.

Pursuant to the provisions of ESHB 2151 the following common definitions and prioritization methodology for the development of the prioritized project lists will be used.

Project Classifications: Common Definitions

Attachment A provides an association of the existing Office of Financial Management (OFM) project classifications of *Preservation* and *Program* with project types and their corresponding descriptions. The board recommends that the four-year institutions and the State Board for Community and Technical Colleges (SBCTC) use these OFM categories in their respective project requests.

Criterion Framework for Ranking Projects

The board recognizes that the community and technical colleges have an existing system and methodology to evaluate, prioritize, and rank capital projects. State policymakers are familiar with this system, which has been developed over many years. Accordingly, the board believes that the SBCTC should continue to use its existing process for prioritizing and ranking projects.

The framework for deriving the integrated prioritized list of capital projects for the four-year institutions recognizes that many considerations affect the relative priority of a capital project. These considerations include a facility's physical condition or estimates of space need as well as an institution's role and mission, its long-term strategic plan, and its areas of current program emphasis and priority. Consequently, the proposed ranking methodology, while quantitative, is designed to provide the institutions with the opportunity to exercise discretion and judgment in the ranking of projects.

Minor Works Requests

Minor works requests include multiple projects, each costing less than \$2 million. The categories to be used to aggregate such projects are presented in Attachment A. The four-year institutions should use these categories in both the ranked/integrated list of capital projects and each institution's separate capital budget submittal.

The board believes that minor works requests addressing emergency/critical repairs and life/safety and code compliance should be prioritized higher than all major projects. All other minor works requests should be prioritized within the overall ranking of all projects, as directed by HB 2151. The board encourages the institutions to use an approach similar to that used by the SBCTC, which differentiates between the most urgent minor works needs (Category A) and less urgent minor works needs (Category B). Both the Category A and B minor works requests are ranked in the overall project list at levels deemed appropriate relative to the nature and priority of other major projects.

Aggregated Intermediate Size Projects

Projects costing more than \$2 million, but less than \$5 million, can be aggregated into separate ranked project categories (within the prioritized list), provided that these projects and their respective categories (a) share a common purpose or characteristic, (b) have the same institutional priority, and (c) are individually identified on worksheets accompanying the prioritized list. Accordingly, institutions should use the categories shown in Attachment A to aggregate these projects.

Major Projects

The HECB is proposing a criterion framework that incorporates multiple factors to arrive at project rankings for major projects (more than \$5 million). Underlying this framework is the recognition that one type of project is not always more or less important than another type of project, either to a particular institution or to the system as a whole. Rather, each institution needs to address multiple types of needs in a balanced manner.

The criterion framework in Attachment B includes the ranking factors discussed below. Ranking scores are provided for each factor. These scores represent the number of “points” that a project can receive on each factor.

The criterion framework for the evaluation and ranking of the projects includes the following factors:

- **Relationship of Project to HECB Capital Fiscal Priorities**
Projects will be scored on their relationship to the HECB capital budget fiscal priorities. As discussed earlier, these priorities will be issued in January 2008 as an addendum to the HECB budget guidelines.
- **Institutional Priority**
The relative importance of the project within an institution’s overall capital budget request. To score this factor, the first five (or fewer where appropriate) project priorities of each institution will be assigned scores from five to one.
- **Program Functionality and Quality**
This criterion allows institutions to rank projects based on program/quality-driven considerations. The institutions will develop a common method to score projects within the four categories of quality shown in Attachment B.
- **Physical Condition of Building System or Infrastructure**
This criterion assesses the physical condition of a building or campus infrastructure. It is scored only for projects whose scope includes the renovation of existing facilities or infrastructure. For buildings, the JLARC Facility Condition Index should be used as an

initial base score. The base score may be adjusted if institutional-level condition assessment data indicates that a building's condition warrants the adjustment.

- **Space Shortage**

This criterion assesses the extent to which an existing space shortage exists for space types contained in projects that will add capacity. It is scored only for projects whose scope includes the creation of additional capacity. The determination of space shortage should be based on the space and utilization standards contained in the Facility Evaluation and Planning Guide (FEPG) or other national standards. The determination of classroom and class lab space needs should use the HECB's average weekly station utilization standards of 22 and 16 hours, respectively.

- **Ranking Consensus Points**

This criterion will be used by representatives of the four-year institutions, Council of Presidents, and HECB to achieve a consensus on the ranking of projects. The legislative mandate for each institutional governing board to agree upon a single prioritized list requires a process allowing for negotiation and the exercise of professional judgment by those responsible for the capital assets of their respective institutions.

Attachment A

Project Classifications

Preservation: <i>Projects that maintain and preserve existing state facilities and assets and do not significantly change the program use of a facility.</i>		
Line-Item Request Type	Project Types	Description
Minor Works (projects costing less than \$2 million)	<ol style="list-style-type: none"> 1. Health, Safety, and Code Requirements 2. Facility Preservation 3. Infrastructure Preservation 	<ol style="list-style-type: none"> 1. Unanticipated needs or critical repairs needed for occupant/ building risk reduction or compliance with codes. 2. Minor repair and system replacement projects needed to sustain/return a building or system to current accepted performance.
Aggregated Intermediate Size Projects (projects costing more than \$2 million and less than \$5 million)	<ol style="list-style-type: none"> 1. Health, Safety, and Code Requirements 2. Facility Preservation 3. Infrastructure Preservation 	Repair and system replacement projects needed to sustain/return a building or system to current accepted performance or renovation of existing facilities and campus infrastructure needed to correct functional deficiencies of building systems or infrastructure.
Major Line-Item Requests (projects costing \$5 million or more).	<ol style="list-style-type: none"> 1. Remodel/Renovate 2. Infrastructure 	Renovation of existing facilities and campus infrastructure needed to correct functional deficiencies of building systems or infrastructure.

Attachment A**Project Classifications**
(continued)

Program: <i>Projects that achieve a program goal, such as changing or improving an existing space to meet new program requirements or creating a new facility or asset.</i>		
Line-Item Request Type	Project Types	Description
Minor Works (projects costing less than \$2 million)	1. Program	Minor repairs, system replacements, and improvements needed for program delivery requirements.
Aggregated Intermediate Size Projects (projects costing more than \$2 million and less than \$5 million)	1. Program	Repairs, system replacements, and improvements needed for program delivery requirements.
Major Line-Item Requests (projects costing \$5 million or more)	1. Program <ul style="list-style-type: none"> • Renovate/Modernize • Infrastructure • New Facilities/Additions • Land Acquisition • Acquisition Facilities 	1. Replacement of deteriorated or dysfunctional facilities or infrastructure needed to enhance program delivery. 2. Construction or acquisition of new facilities or property needed to accommodate program demand or improve program delivery.

Attachment B**Four-Year Institution Criterion Framework: Major Projects**

Prioritization Criterion	Score
HECB Fiscal Priorities – To be Determined	TBD
Institutional Priority	5 - 1
Program Quality	
Nonfunctional or nonexistent	5
Operational but seriously deficient	4
Operational but marginally deficient/inconvenient	3
Operational and adequate	0
Physical Condition of Building System (per FCI) or Infrastructure	
Marginal functionality (FCI=5)	5
Limited functionality (FCI=4)	4
Fair (FCI=3)	3
Adequate (FCI=2)	2
Superior (FCI=1)	0
Space or System Capacity Shortage	
Deficiency for existing student enrollment, faculty, staff activity level	5
Deficiency for near-term (1-6 years) growth in student enrollment, faculty, staff activity level	4
Deficiency for long-term (6-10 years) growth in student enrollment, faculty, staff activity level	3
Ranking Consensus Points	1 - 7

RESOLUTION NO. 07-18

WHEREAS, The Higher Education Coordinating Board (HECB) is required by statute (RCW 28B.76.210) to review, evaluate, and make recommendations on the operating and capital budget requests of the public four-year colleges and universities and the community and technical college system; and

WHEREAS, These recommendations are to be based upon the Board's biennial budget fiscal priorities as derived from the *Strategic Master Plan for Higher Education*; and

WHEREAS, The Higher Education Coordinating Board is also required by statute to distribute budget guidelines, which outline the Board's fiscal priorities, by December of each odd-numbered year; and

WHEREAS, The Higher Education Coordinating Board is currently developing its *2008 Strategic Master Plan for Higher Education* for submittal to the Governor and Legislature in December 2007; and

WHEREAS, The *2008 Strategic Master Plan for Higher Education* will establish goals and associated strategies for the state's system of higher education; and

WHEREAS, These goals and strategies will be the basis for the Board's 2009-11 budget priorities; and

WHEREAS, Preliminary HECB budget guidelines for the 2009-11 biennium have been prepared and distributed for review and comment by the public universities and colleges; and

WHEREAS, The Board's Fiscal Committee has reviewed the preliminary guidelines and recommends that the board (1) adopt the preliminary guidelines, and (2) instruct board staff to issue an addendum to the guidelines in January 2008 containing the Board's 2009-11 fiscal priorities;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the 2009-11 preliminary budget guidelines and directs board staff to issue an addendum to the guidelines containing the Board's 2009-11 budget priorities, as approved by the HECB Fiscal Committee.

Adopted:

October 25, 2007

Attest:

Bill Grinstein, Chair

Jesus Hernandez, Vice Chair