



OLYMPIA UPDATE

LARRY GANDERS, ASSISTANT TO THE PRESIDENT

Olympia Update No. 8 • March 28, 2008
Governor's bill signings

Gregoire approves performance contracts

Two bills that could significantly change preparation of Washington State University's budget next year were signed this week by Gov. Christine Gregoire following adjournment of the 2008 Legislature on March 13. New "Performance agreements" and "Capital prioritization" laws take effect June 12 and are the most prominent of 118 policy bills tracked by WSU this session. Just 34 of those bills passed the Legislature and moved to the governor's desk.

Engrossed House Bill 2641 is a six-year pilot program to develop "performance agreements" between universities. It was signed by the governor Wednesday. The legislation was originally introduced to apply only to the University of Washington and Western Washington University. When WSU successfully asked to be added to the bill, the other four-year institutions in the state also lobbied to be added. The final bill signed by the governor applies to all of the state's public four-year institutions. In a nutshell, the proposal provides a structure by which "agreements" or "contracts" can be made between WSU and the state that relate to both the capital and operating budgets. There can be many variations but a typical WSU contract might guarantee certain numbers of student graduates in a program in six years if the state meets certain capital and operating investment targets in WSU education, public service, or research programs. The outcomes-based legislation was sponsored by Rep. Fred Jarrett, a Republican-turned-Democrat House member, who found much more success for his bill as part of the majority caucus this year. For years, he failed to pass the bill as a minority party member. Jarrett is an alum in engineering from WSU who worked on many Boeing projects.

Engrossed Substitute House Bill 3329, signed yesterday, is a "capital prioritization" bill that scraps the controversial "single capital priority list" for all public four-year institutions that has been law for the past four years. In its place, it substitutes separate multiple lists that will be submitted by WSU and be independently evaluated by the state Office of Financial Management, the governor's budget office. In short, there will no longer be a single prioritized list for legislators to follow that ranks all projects from all of the state's public four year institutions. In the place of the "Council of Presidents" list, there will be four or more lists from each institution.

While there was substantial preparation put into both bills, each piece of legislation ultimately passed the Legislature by overwhelming margins. The performance agreement bill passed by the House of Representatives 95-2 on Feb. 13 and the Senate approved the proposal 48-0 on March 6. The capital prioritization bill passed the House 94-0 on Feb. 15 and the Senate gave its approval 49-0 on March 11. Nevertheless, there was concern that the governor's budget office would have a substantially increased workload under each bill and that she had not given her approval during the legislative process. That concern was alleviated this week when she decided to sign both bills in full.

WSU's proposed performance agreement, to be drafted in consultation with students and faculty, is due Sept. 1. It will be evaluated by a state committee that includes representatives of the governor's office,

her budget office, the state Higher Education Coordinating Board, the Office of the Superintendent of Public Instruction, two state senators and two state representatives. The final contract must be approved by the committee on Nov. 1 and submitted to the Senate and House Higher Education Committees for final consideration by the 2009 Legislature that convenes in January.

WSU has been preparing a capital construction list for submittal to next year's Legislature.

Currently topping the draft list is an Applied Technology Classroom Building for WSU Vancouver and design for a Veterinary Medical Research Building, which never won Senate approval in the 2008 session despite some strong support from the veterinary and agriculture industries. Under the old process, these major construction projects must be prioritized among other WSU projects, and then among all four-year university projects. That single list was then approved by each board of the six public four-year institutions. Under the new process, WSU must break its list of projects down into prioritized categories before Aug. 15. The mandated categorized lists are for 1) "Access" which covers construction projects that will increase student enrollments, 2) Renovations or projects that replace failing or outdated buildings, 3) Infrastructure projects like major sewer and water systems and 4) Projects that promote economic growth through expanded research. There could be other lists required by the governor as well.

By Oct. 15, the state Office of Financial Management is to complete an objective analysis and scoring of all project lists submitted by WSU, which could reshuffle the priorities it submits.

Perhaps more likely, OFM may assign broader levels of urgency to each request based on required analysis of state enrollment trends, reasonableness of costs of the building, age and condition of existing buildings, space utilization, and the ability to achieve Higher Education Coordinating Board goals. The Higher Education Coordinating Board is charged with recommending the relative priorities of each list. For instance, the HEC Board would recommend whether we do more projects that promote enrollment growth or more projects that promote state economic development.

Some of the controversy over the single prioritized list has been the way it ranks branch campus projects against projects from main campuses. Rep. Bill Fromhold, the retiring chairman of the House Capital Budget Committee from Vancouver, proposed a system in which separate lists are proposed for the branch campuses. The University of Washington strongly opposed separate lists for the branch campuses. The Legislature fashioned a unique compromise in ESHB 3329, giving OFM the authority to require either UW or WSU (but not both) to submit separate lists for the branch campuses. There is no word yet on whether UW or WSU will be selected for this "pilot." If selected, WSU will be required to submit at least eight project lists to OFM, four for Pullman and much of the WSU system, and four lists that prioritize projects for Tri-Cities and Vancouver. One gray area is how WSU Spokane would be treated in this scenario, since that campus has been regarded for budget purposes as part of the Pullman campus. **Perhaps most controversial, is how enough capital construction dollars will be secured for WSU and other higher education institutions in the coming years.** The state is pressing up against the debt limit. The capital prioritization bill calls for an OFM study of funding alternatives by Dec. 1.

Final action by the governor on the supplemental operating budget is expected early next week.

That will wrap up action from the 2008 session. The final supplemental operating budget contained no cuts for WSU. The university received \$3.1 million in additional funding for specific programs but the governor's authority to make line-item vetoes of the budget could yet affect that outcome and the implementation of other bills that she has already signed. For a complete list of bills tracked by WSU and any action by the governor, go to: <http://www.olympia.wsu.edu/Status.aspx>

Olympia Update is produced for persons interested in state government developments affecting Washington State University. For more information, go to www.olympia.wsu.edu. Contact: Larry Ganders, Assistant to the President, 360-956-2165. From WSU campuses, dial 8-2165. If you wish to subscribe to Olympia Update directly by email go to www.olympia.wsu.edu/Update.aspx