



# Higher Education Capital Budget Work Session

An overview of higher education capital finance and trends

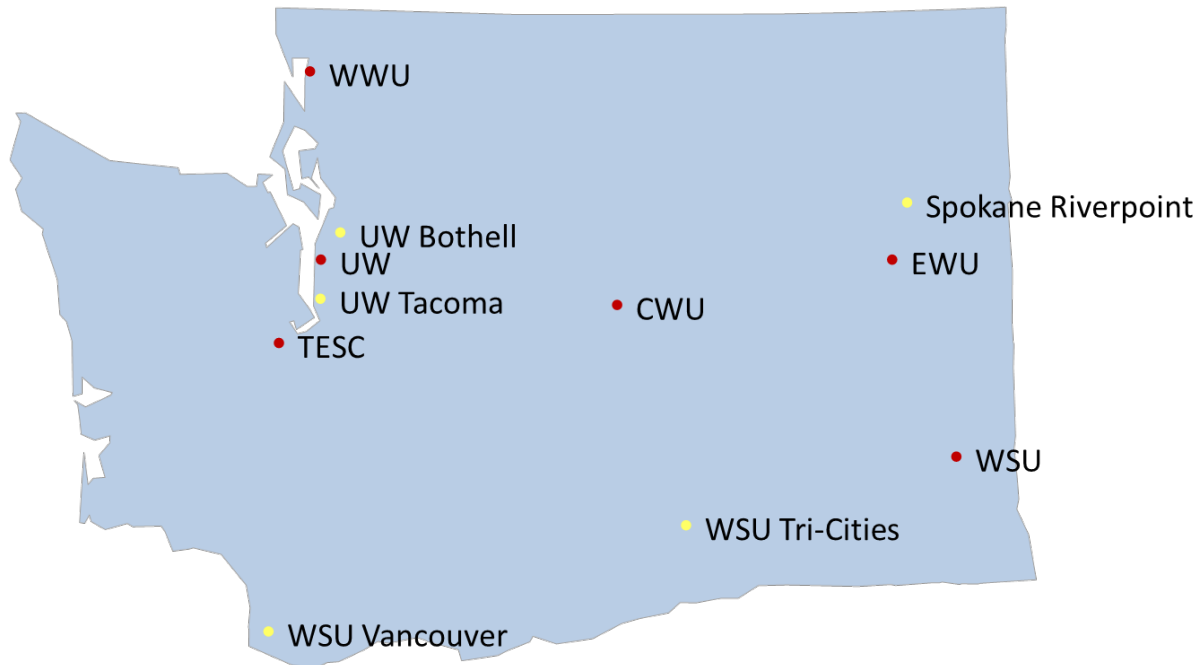
Senate Ways & Means Staff

January 22, 2015

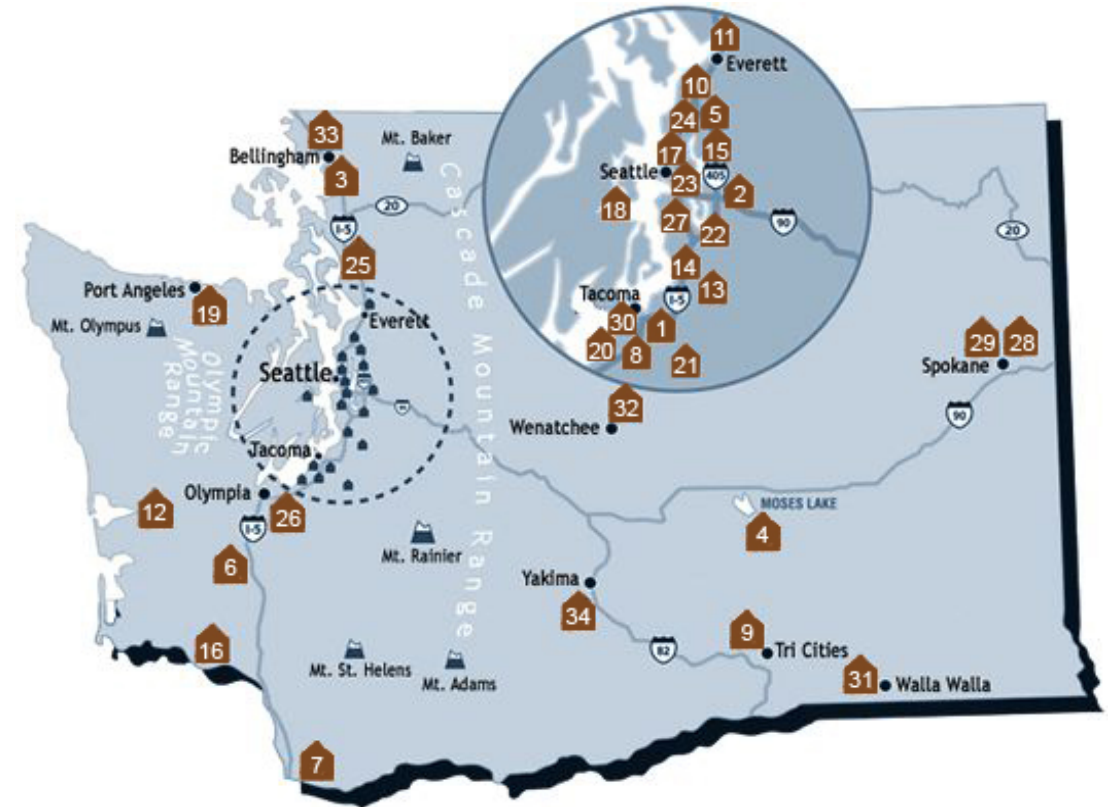


# Washington's public colleges and universities by sector

There are six public four-year universities and five extension campuses. In 2014-15 academic year, these schools served about 106,000 students (FTEs)

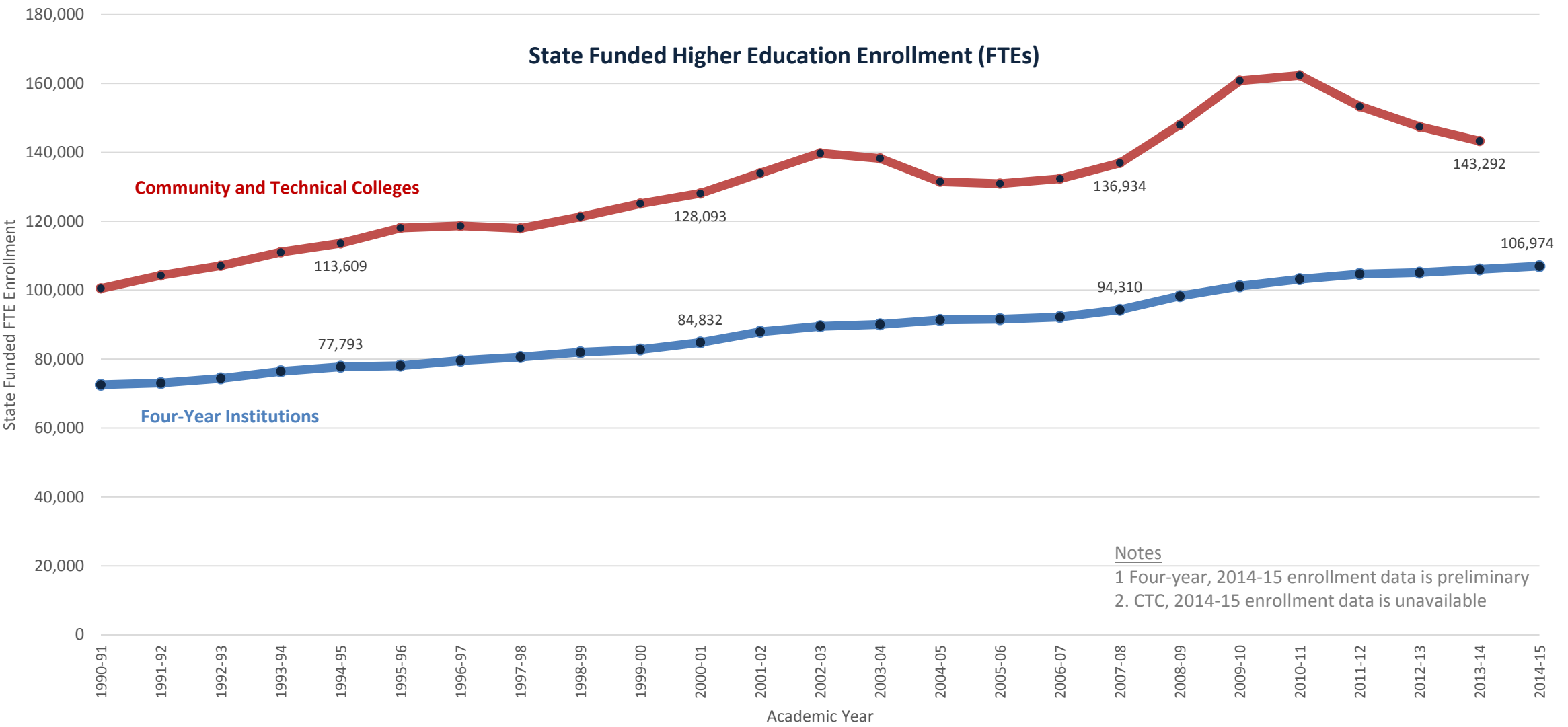


There are 34 community and technical colleges. In 2013-14, the CTCs served approximately 143,000 students (FTEs)





**Both the four-year institutions and the Community and Technical Colleges (CTCs) enrollment grew about 1.6% annually from the 1990-91 academic year but the CTCs experienced much more variation**





In terms of dollars, costs associated with capital building facilities are in both the capital budget and the operating budget

2013-15 Higher Education Capital Related Spending

\$ in millions

CAPITAL BUDGET APPROPRIATIONS

Bonds.....\$427

Building Accounts.....\$209

COP.....\$ 77

Other.....\$ 1

TOTAL ESTIMATED.....\$714

OPERATING BUDGET SPENDING<sup>1</sup>

Est. Bond Debt Payments.....\$569

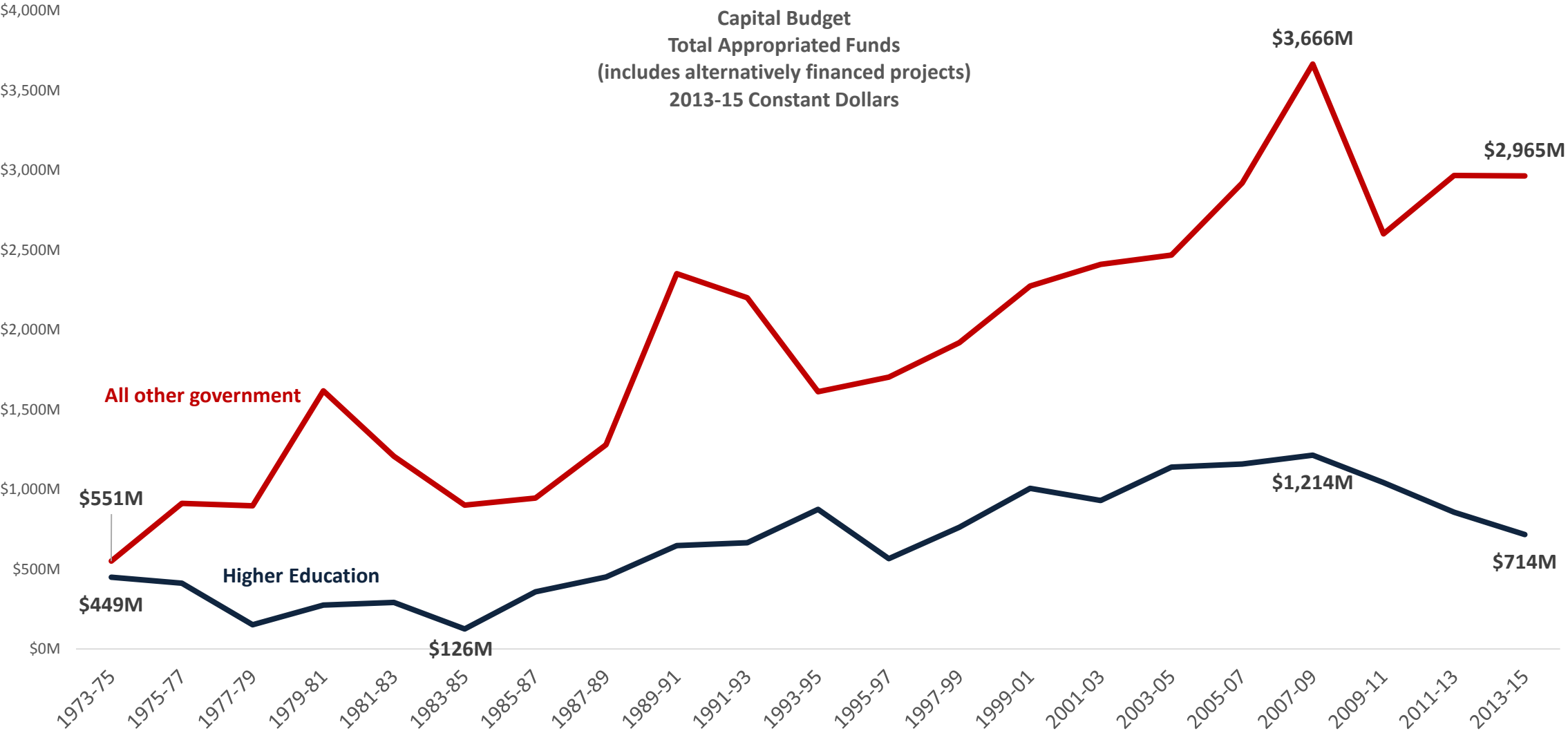
Building Maintenance.....\$373

TOTAL ESTIMATED.....\$942

1. Estimated Bond Debt Payments are principal and interest  
2. Building Maintenance includes General Fund-State and Tuition

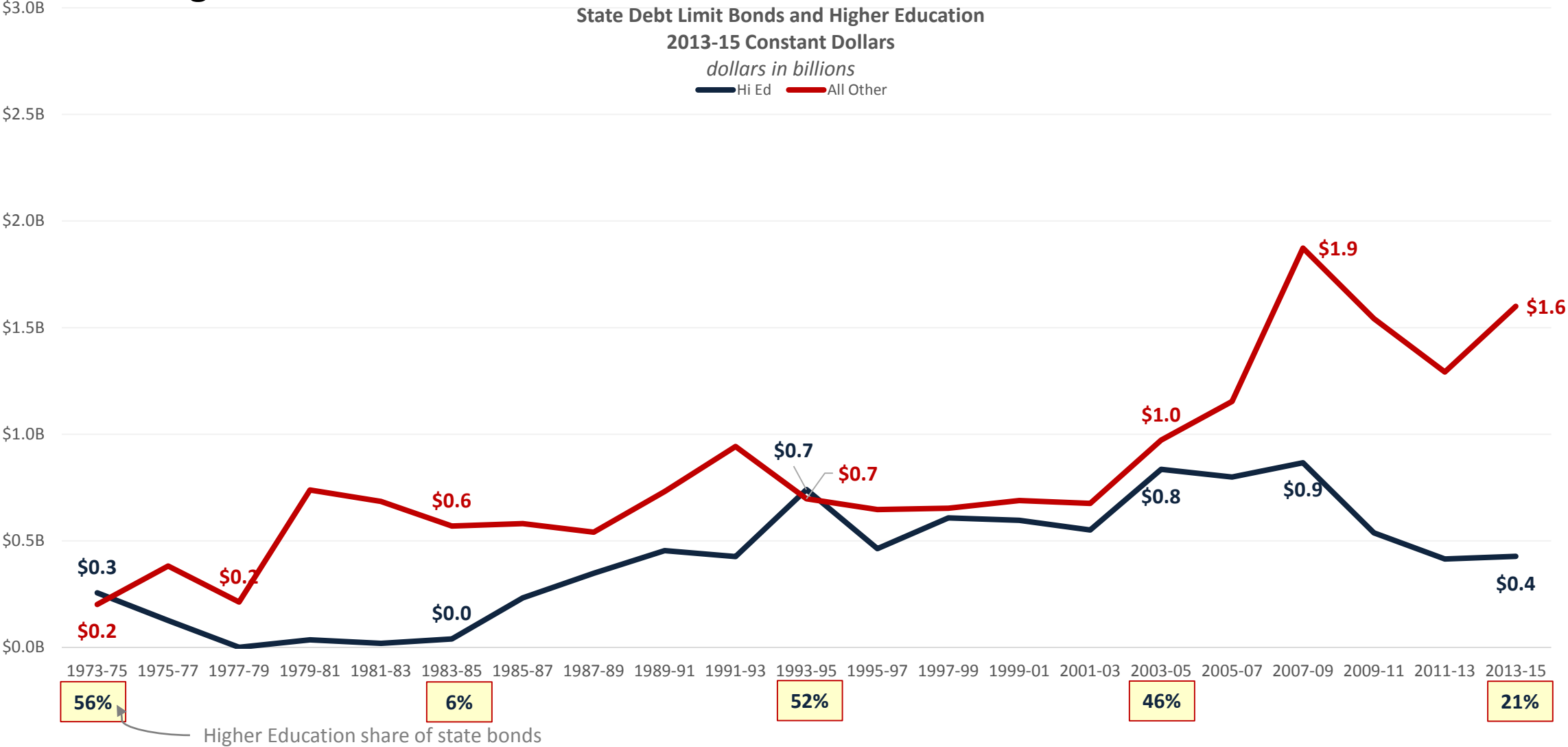


In 1973-75, higher education and other state government appropriations in the capital budget were almost the same, but since that time higher education grew by 2.4% over inflation per biennium while other state government grew by 8.6% per biennium

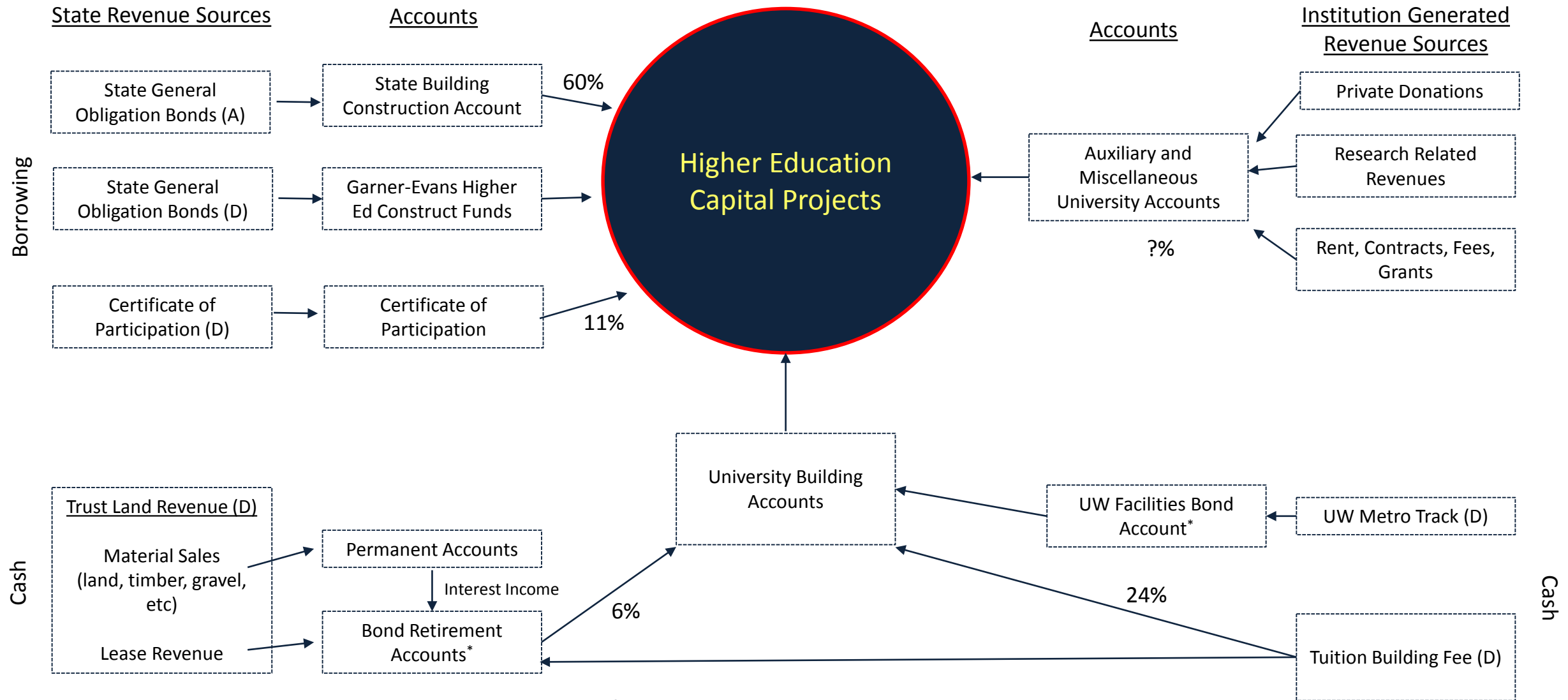




Over that same time period, the ratio of state bonds appropriated to higher education has varied from nearly 0% to over 50%. In 2013-15, the legislature appropriated 21% of the state bonds to higher education.



# Higher education capital budget financing is more than just bonds – it is a mix of many different revenue sources and accounts – each with varying degrees of legislative control

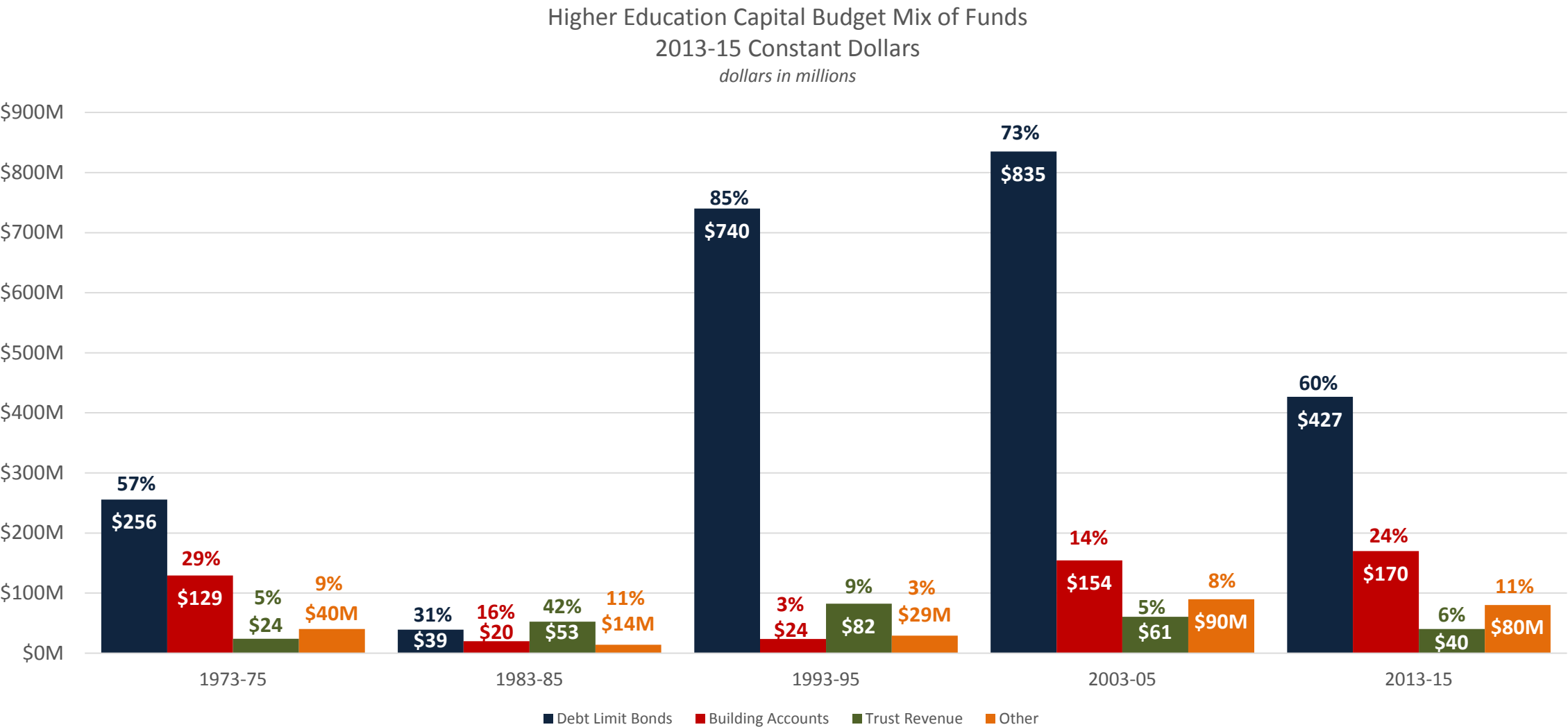


Adopted from Burke & Associates Higher Education Capital Study

(A) = Appropriated  
(D) = Dedicated

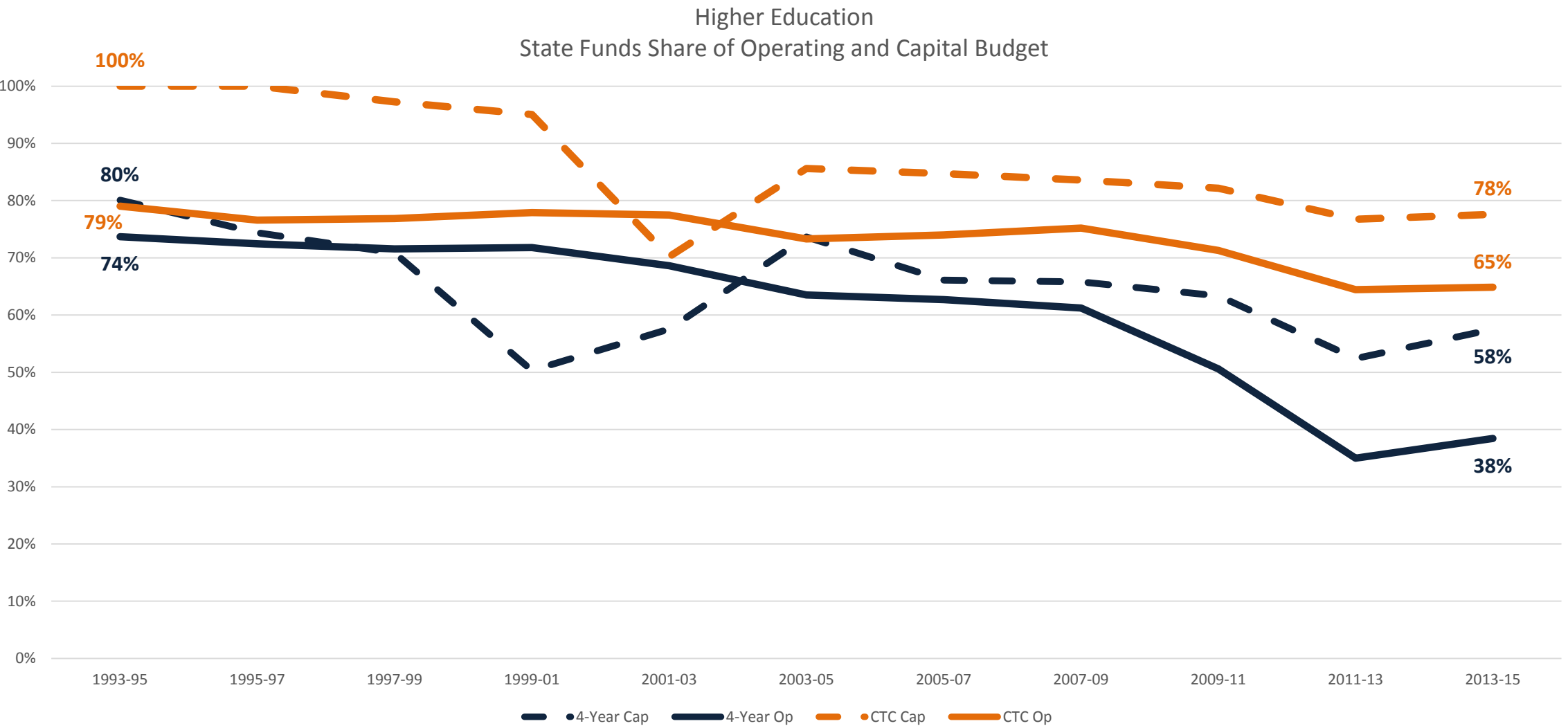
\* These accounts pay debt service first and then transfer remaining portions to the university building account

# The level and source of funds for higher education capital budgets has varied over time





# Similar to the operating budget, the state share of the capital budget has fallen as well



Notes: Capital budget state share is debt limit bonds only

## **Selected Higher Education Capital Budget Topics:**

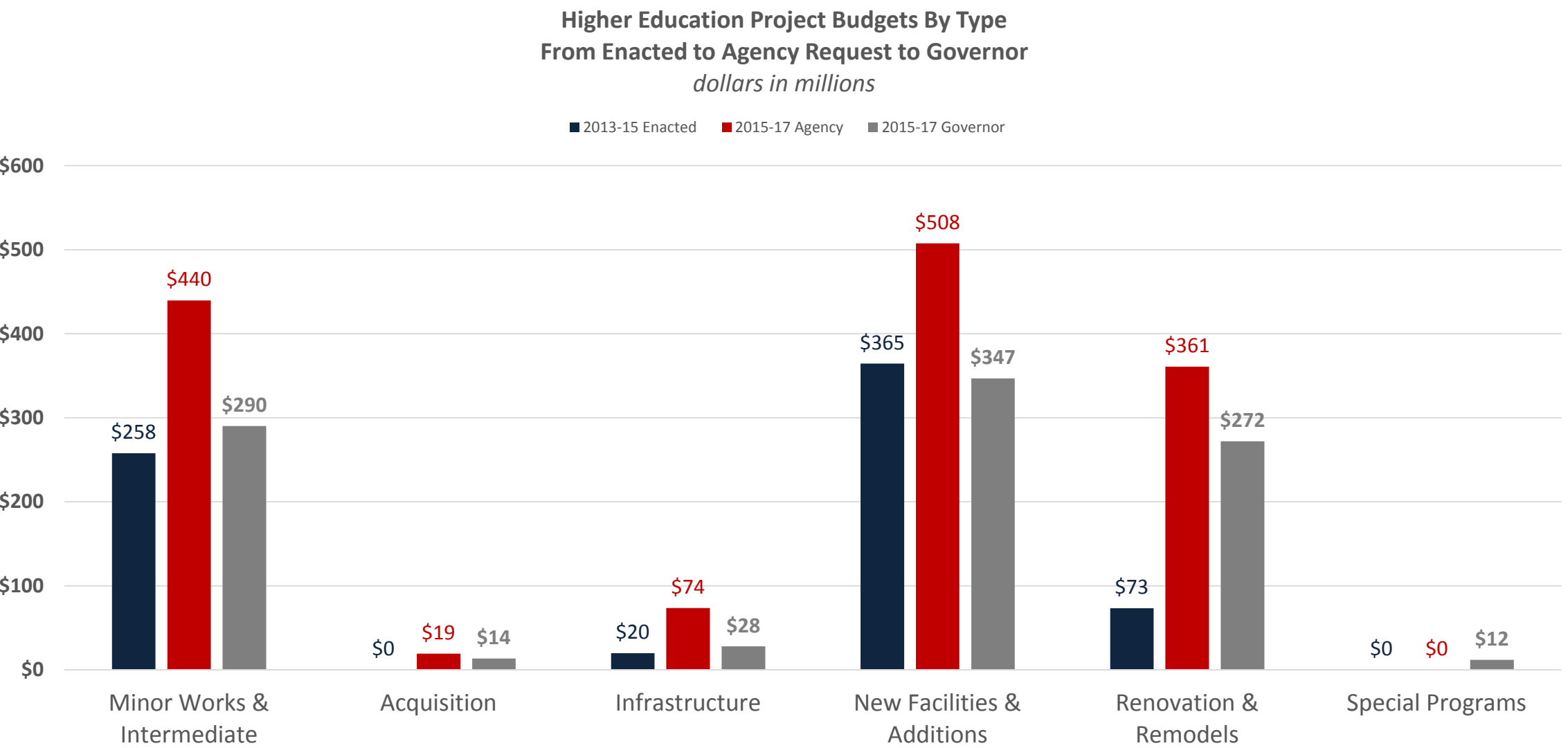
- How are capital projects selected?
- What did the Governor choose to fund?
- A look at growth and demand
- A look at building quality
- Do the costs seem reasonable?



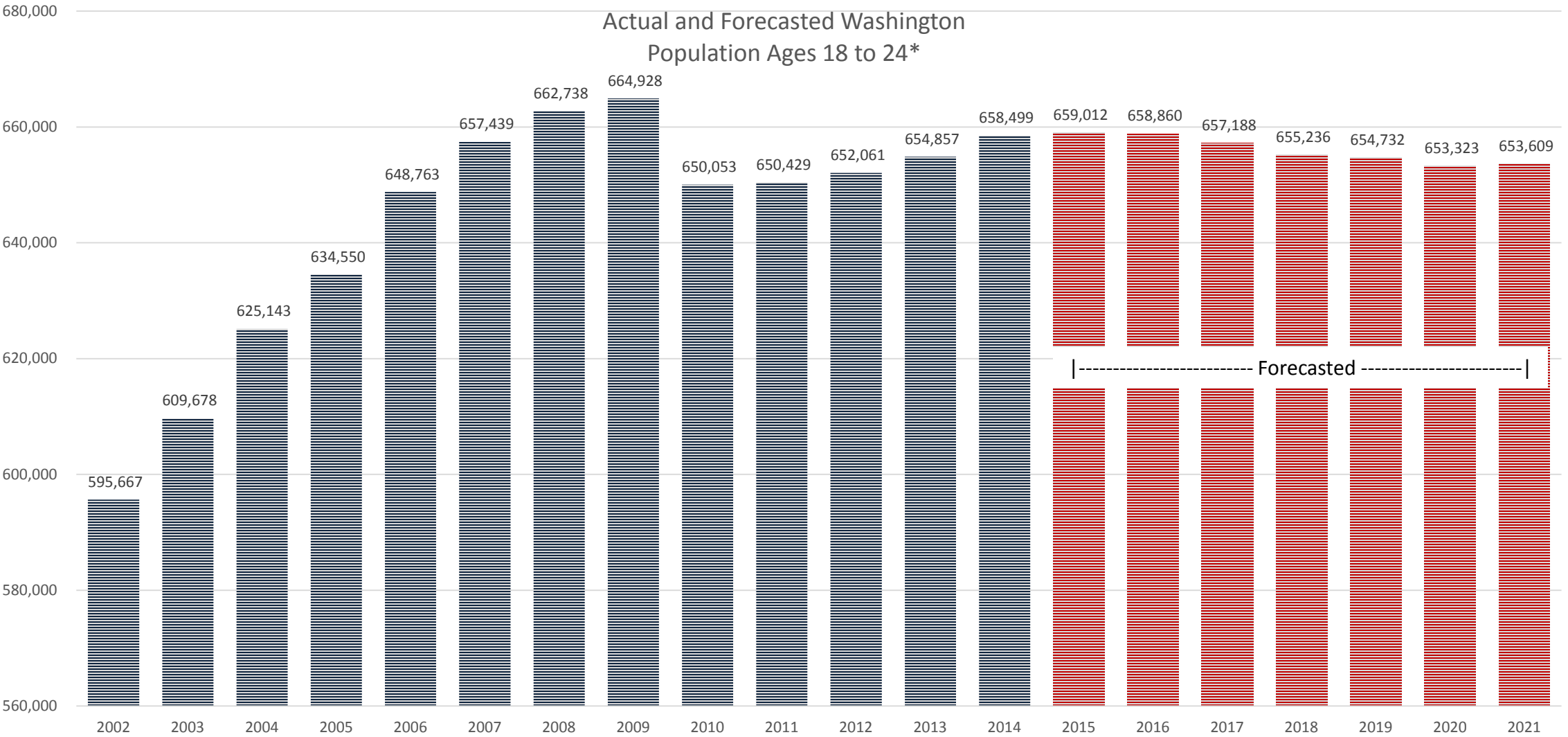
# Higher Education capital projects are selected and prioritized for legislative consideration according to defined processes

	Community & Technical College System	Research & Regional College & Universities
Statutory Requirement	RCW 28B.77.070	RCW 28B.77.070; 43.88D.010
What is being selected for review and prioritization?	Projects > \$2 million	Projects > \$2 million
How are the proposed projects scored and ranked?	Projects are scored by project category: <ul style="list-style-type: none"><li>• Matching funds (non-state funds)</li><li>• Replacement projects</li><li>• Renovation</li><li>• Major enrollment growth</li></ul>	Projects are scored by project category: <ul style="list-style-type: none"><li>• Major enrollment growth</li><li>• Replacement projects</li><li>• Renovation</li><li>• Stand-Alone Infrastructure</li><li>• Research</li><li>• Land acquisition</li><li>• Pre-Design</li></ul>
How are proposed projects evaluated?	Varies by project category. Generally includes: <ul style="list-style-type: none"><li>• Contribution to statewide goals</li><li>• Enrollment projections, utilization efficiency</li><li>• Age &amp; condition</li><li>• Program &amp; capacity needs</li><li>• Reasonableness of proposed costs</li></ul>	Same.  The Governor can and has inserted projects that were not part of the institutional submissions (and therefore not scored)
Who scores the projects?	Panels of college presidents, business officers, facility managers, instructional and student services staff.	OFM
Who decides on the final list submitted to the legislature?	SBCTC	OFM creates the single prioritized list
What is the role of the legislature?	The legislature has mostly followed the prioritized list to whatever funding level has been established.	The legislature has followed the list to varying extents based on the funding level established.

In 2015-17, the Governor is requesting approximately \$247M over 2013-15 enacted budget levels while the colleges and universities requested about \$685M over enacted levels. The Governor is also putting about 27% more funding for new buildings & additions over renovation & remodels



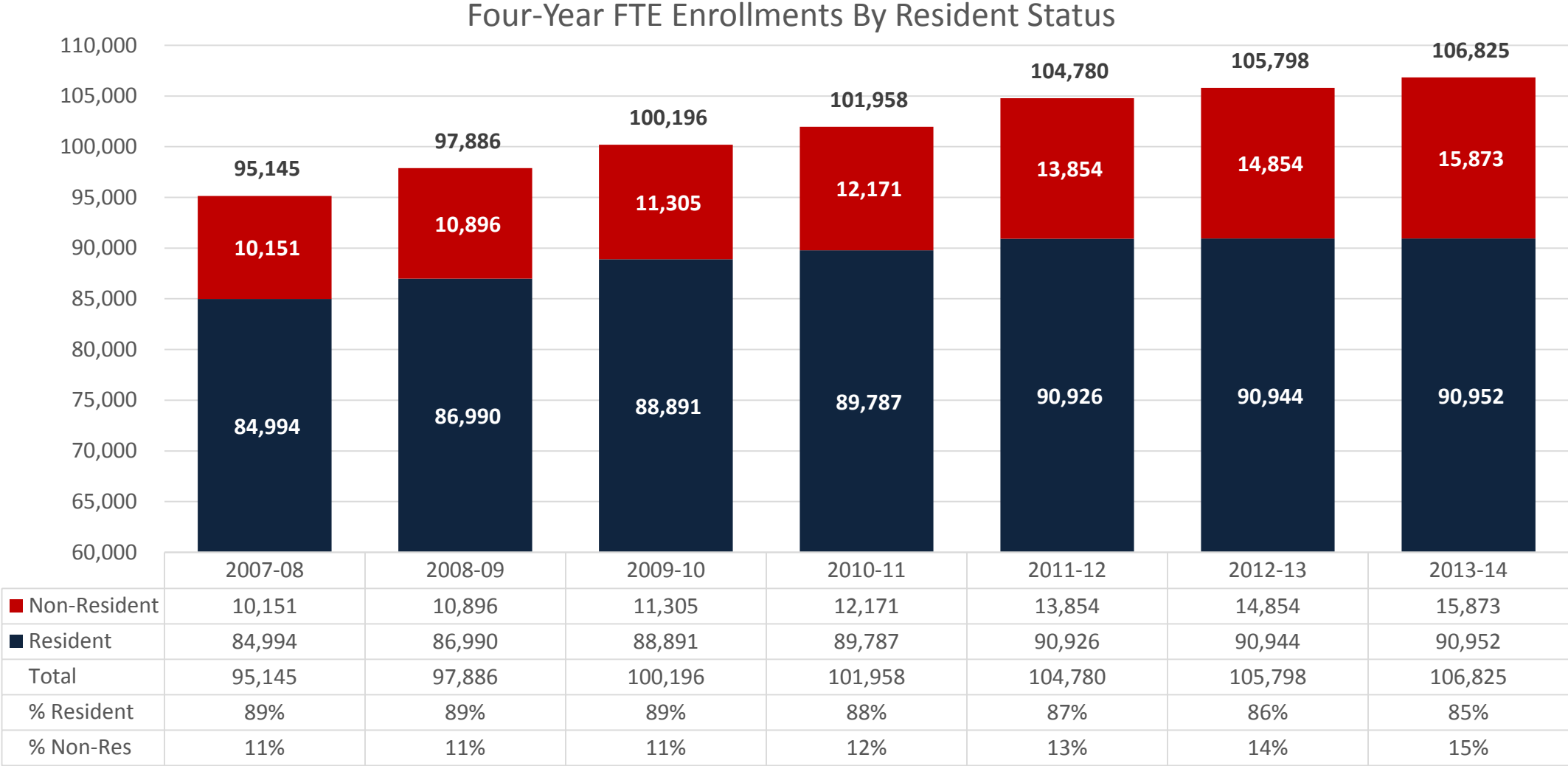
While the state has been and is projected to increase its population, the forecasted number of 18 to 24 year old persons is expected to drop by 5,400 over the next three biennia



\*Between 2007-08 and 2013-14, 18 to 24 year olds made up 82-83% of the undergraduate four-year public institution enrollment  
Source: Office of Financial Management

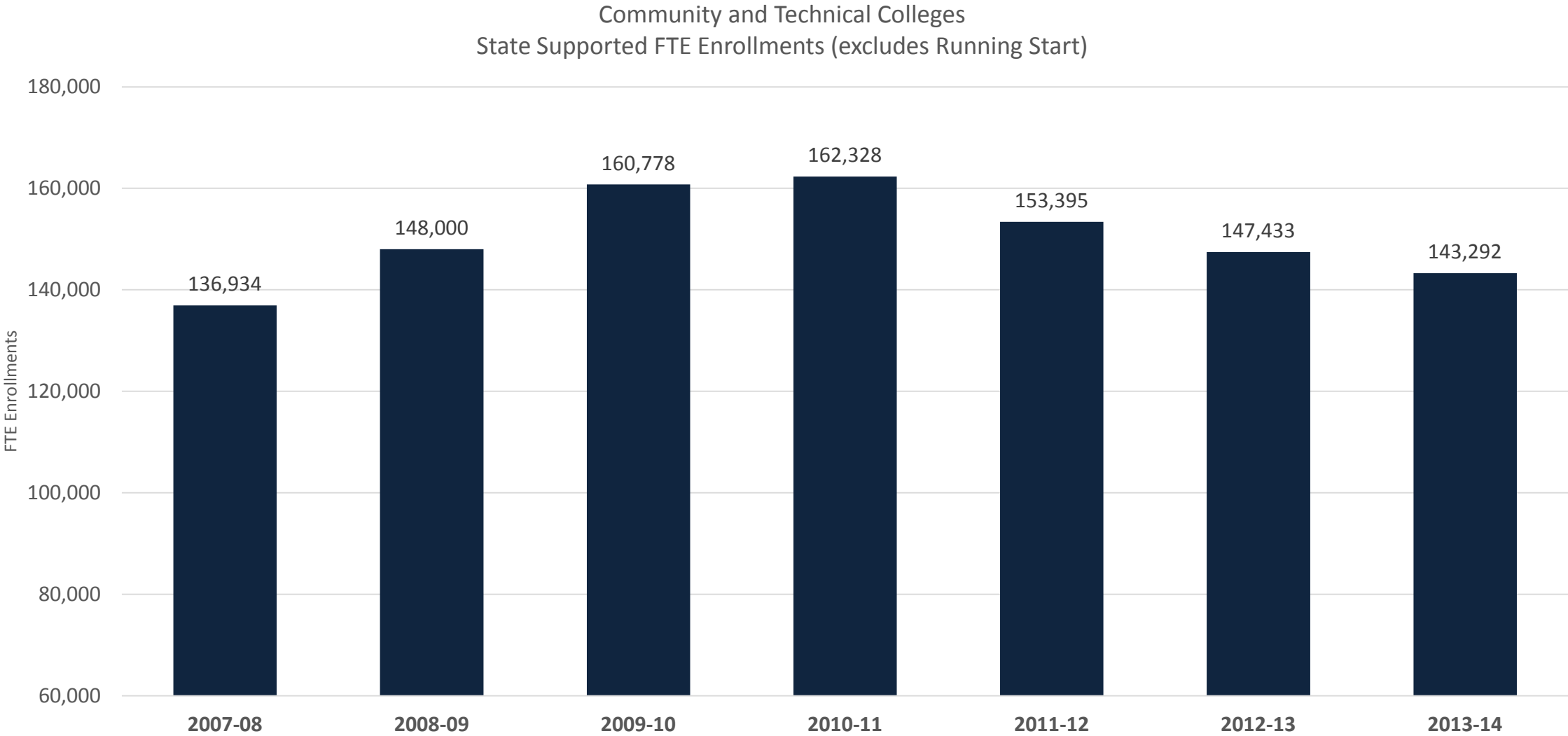


The four-year schools added almost equal amounts of resident and non-resident FTE students from 2007-08 to 2013-14 but the non-resident share of growth has been increasing more.





**The CTCs have experienced 3 consecutive years of declining state supported enrollments. Without an official forecast, it is difficult to approximate their needs in the out years.**

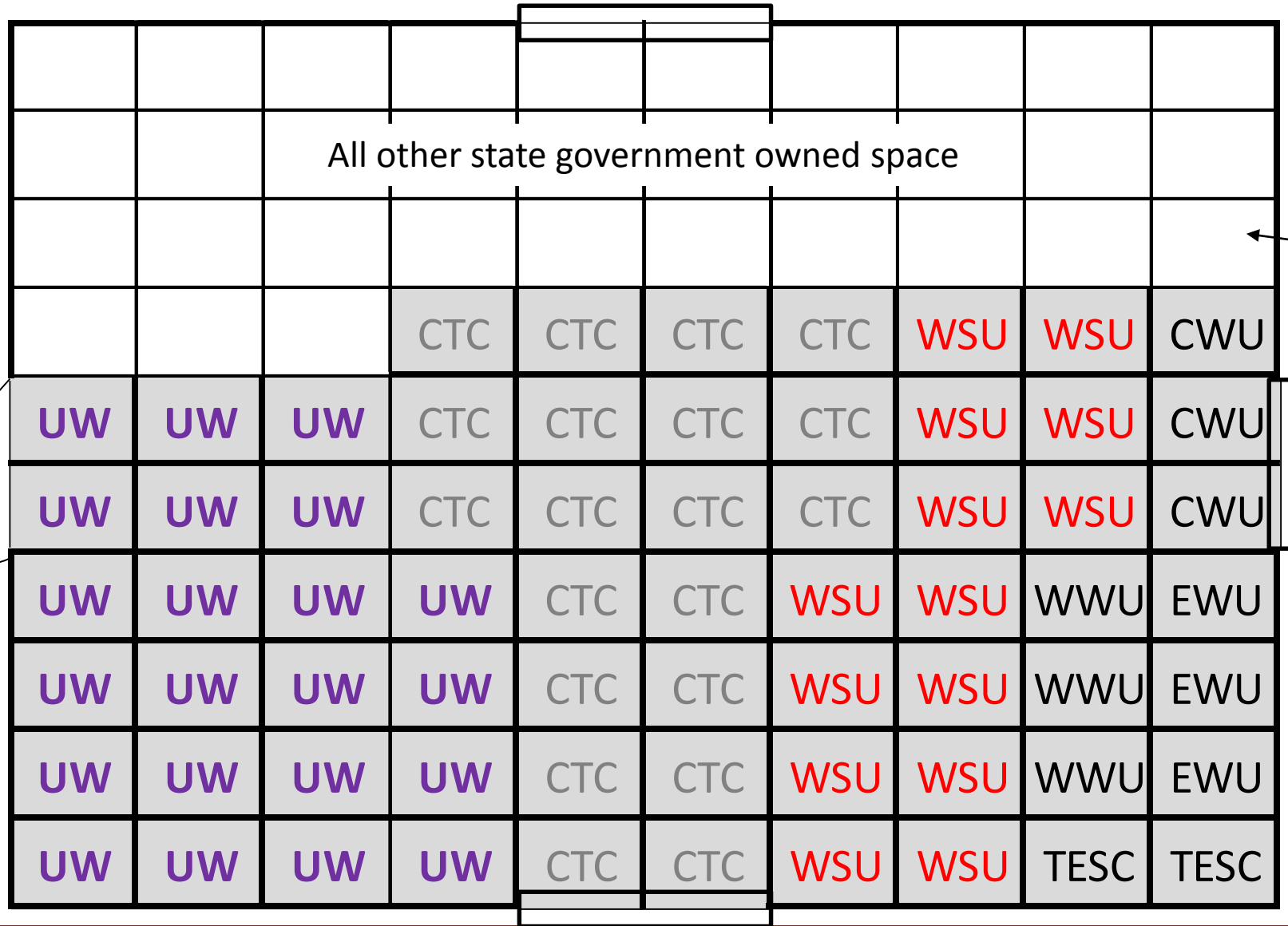


# These 40 colleges and universities account for 66M or 67% of all state-owned space

In 2014, the state owned a total of 98M square feet

= Higher Education  
 = All other state government

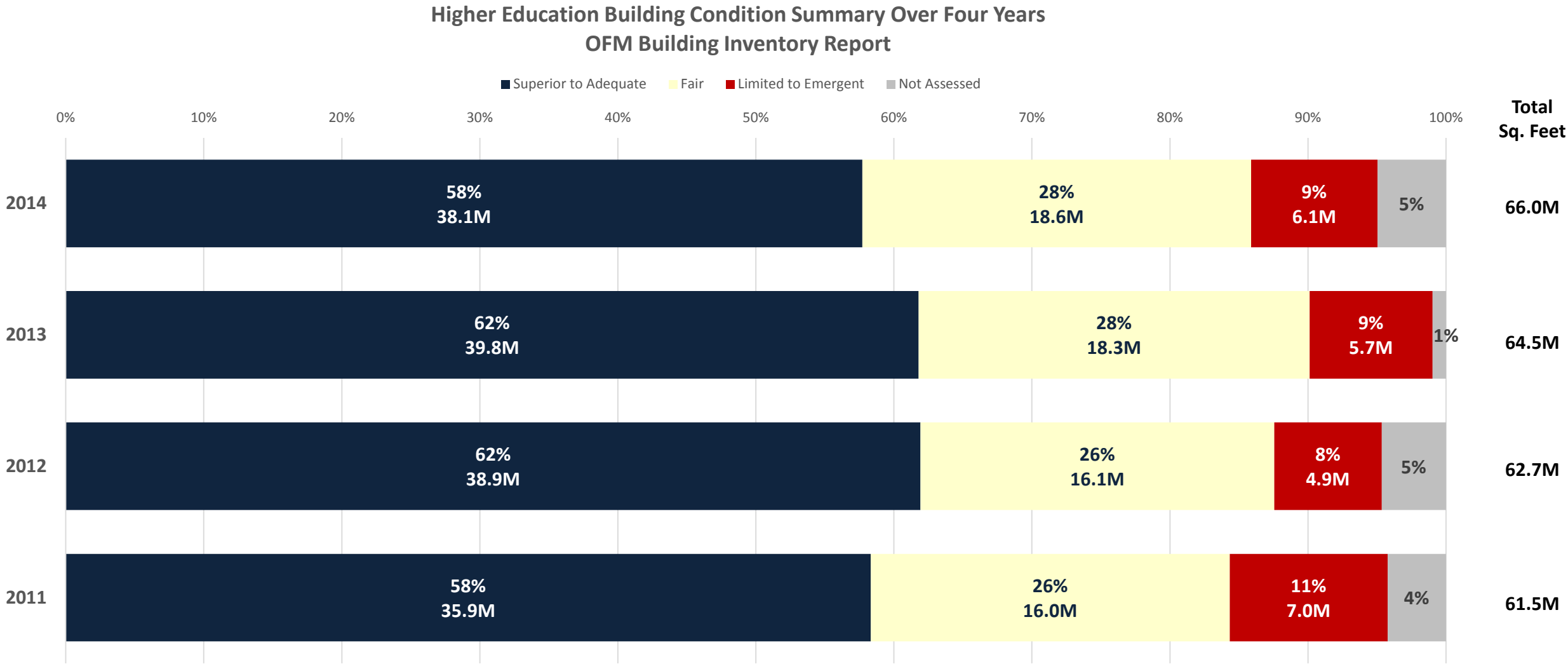
1 square = 1% of state owned space







# Higher education has added approximately 4.5 million state owned square feet from 2011 to 2014 but the percentage of superior to adequate square feet fell in the last year



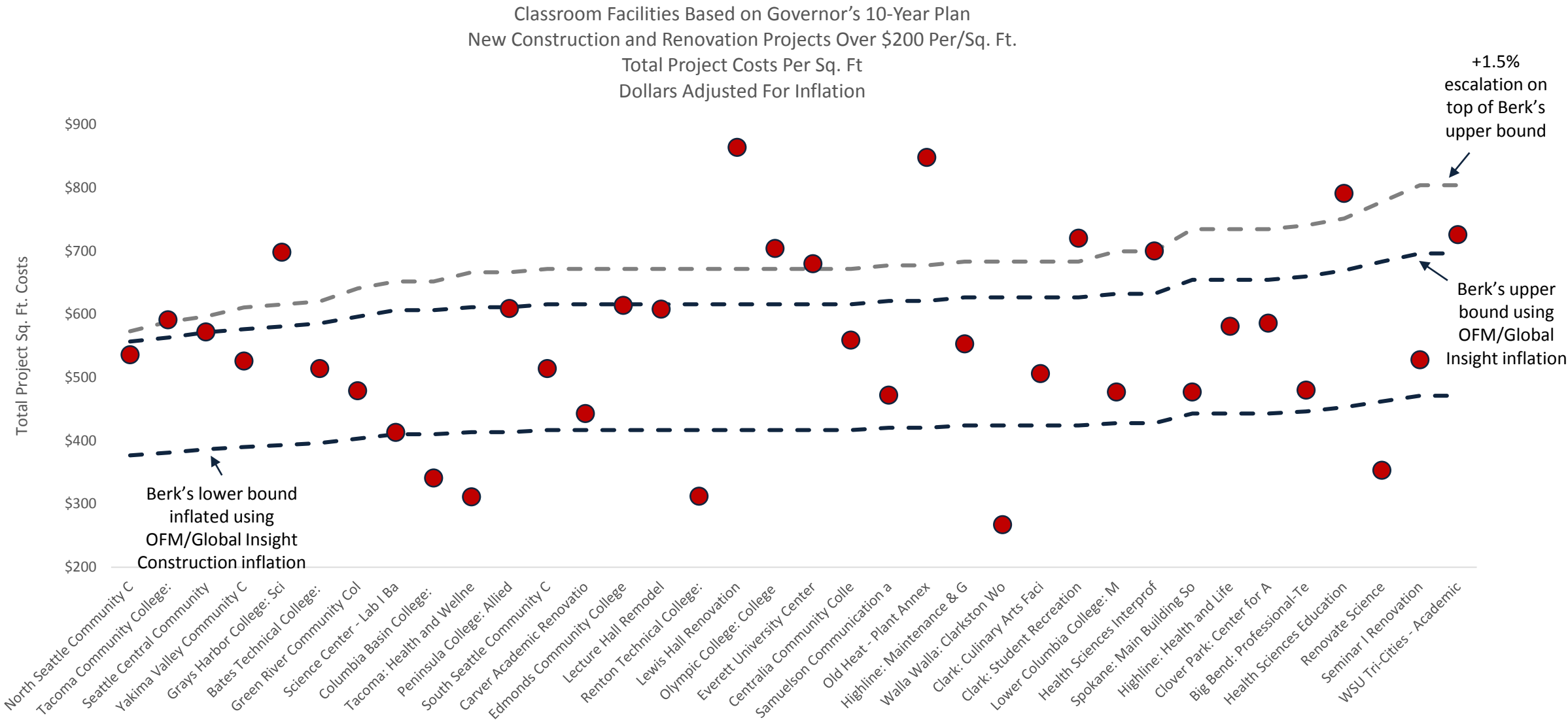
**Are costs reasonable? In December 2008, OFM through BERK & Associates published a financing study for higher education capital facilities. The report provided an upper and lower bound for sq. ft. costs for different types of buildings**

### **Expected Cost Ranges By Facility Type**

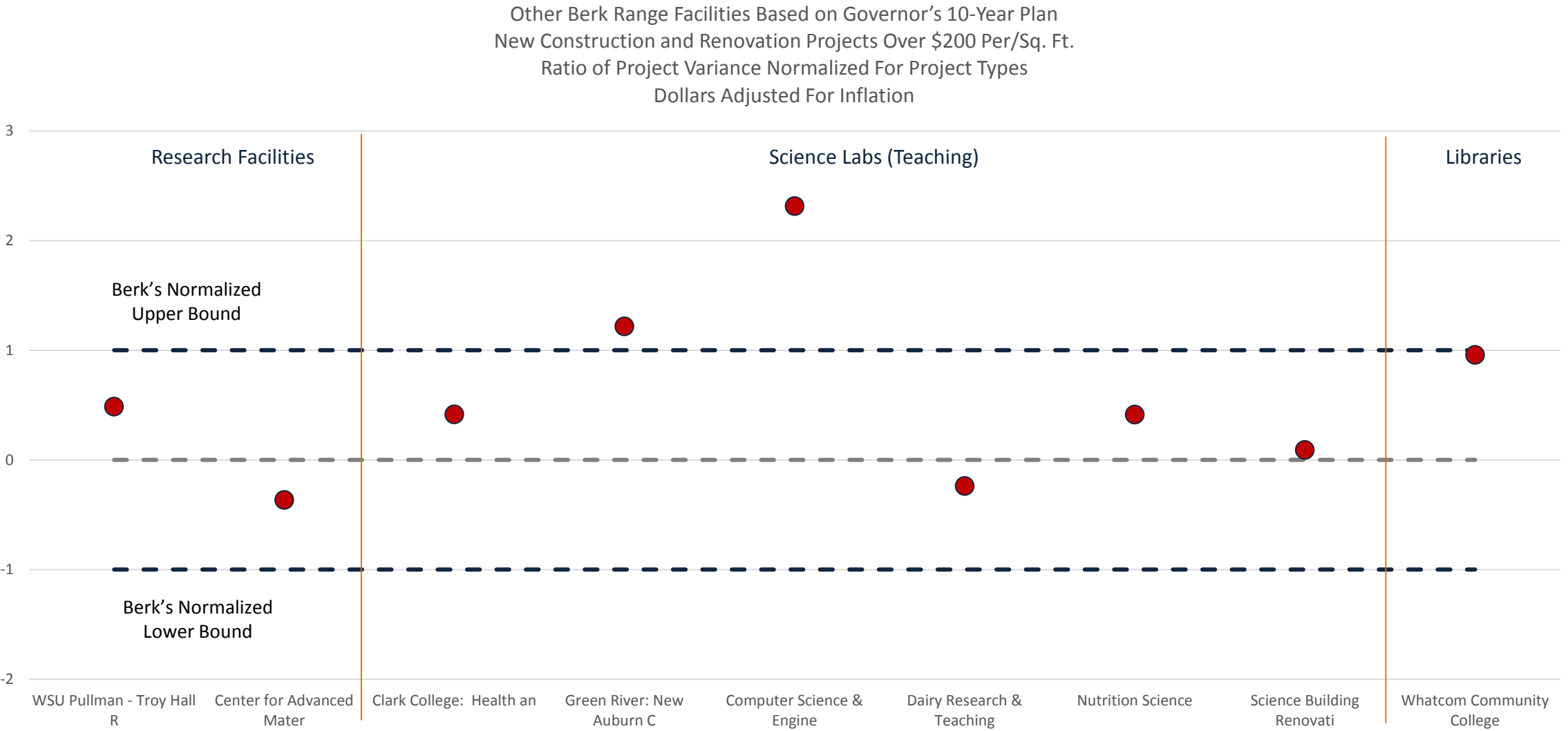
<b>Facility Type</b>	<b>Total Project Sq. Ft. Costs (2008 Dollars)</b>			<b>Total Project Sq. Ft. Costs Upper Range Dec 2016</b>	
	<b>Low</b>	<b>Mid</b>	<b>Upper</b>	<b>GCI (3.08%)</b>	<b>+1.5% Esc</b>
Classrooms	\$339	\$420	\$501	\$627	\$683
Science Labs	\$344	\$437	\$530	\$663	\$723
Research Facilities	\$536	\$623	\$710	\$888	\$969
Libraries	\$251	\$336	\$420	\$525	\$573
Admin Buildings	\$258	\$309	\$360	\$450	\$491
Comm Buildings	\$281	\$378	\$474	\$593	\$647
Day Care Facilities	\$249	\$283	\$316	\$395	\$431

Note: +1.5% adds an additional 1.5 percentage points to GCI for escalation costs starting in the first quarter of 2011

The majority of the building are within the Berk report upper range for total square foot costs but about 10 exceeded this range and more analysis is needed to understand why



# Two projects labeled “science labs” are estimated to be higher than Berk’s upper bound



**Questions?**