



# WHY WE DO WHAT WE DO FOR CAPITAL FUNDING

## Capital funding drivers and issues for BAR

Wayne Doty, SBCTC Capital Budget Director  
October 17, 2018



## OUTLINE

- State capital versus operating funding
- Overarching goals
- Responsibilities
- Elements of the request and what they are based on
- Local expenditure authority
- Allocations & monitoring
- Hot topics
- 2019-21 request and next steps

## STATE CAPITAL VERSUS OPERATING FUNDING

### Operating

- Relatively few restrictions on use
- Maintenance and policy levels
- Can be used to pay staff and operate buildings

### Capital

- Every dollar is appropriated for a specific use
- One-time funding
- Staff limited to delivering approved project scope

3

## WHAT IS CAPITAL?

- A funding source for acquisition, design, construction or improvement of real property – does not usually include master plans or feasibility studies
- Funding may be appropriated and allotted (state) or non-appropriated and non-allotted (local)
- Funds are spent self-performing the approved scope or through a public work process
- College self-performance is limited to work with a value of \$90,000, or \$45,000 if it only involves one trade *RCW 28B.50.330*

4

## WHAT IS PUBLIC WORK?

- A procurement method for “all work, construction, alteration, repair, or improvement other than ordinary maintenance, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein.” *RCW 39.01.010(4)*
- Community and technical colleges do not have authority to administer public work unless it is delegated by DES.

5

## PUBLIC WORK VERSUS ORDINARY MAINTENANCE

### Ordinary Maintenance

- Repairing or replacing things that wear out with normal use

### Public Work

- Installing something new
- Something that can lead to lien on the property
- Something that requires a permit

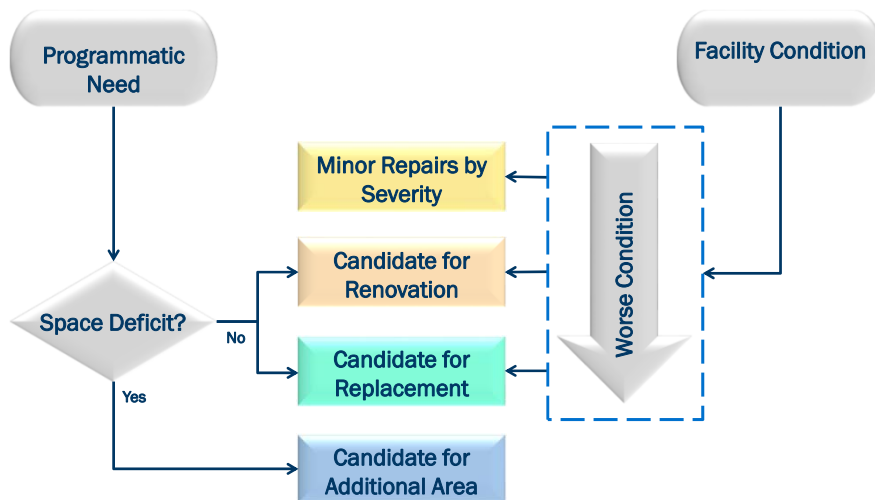
6

## OVERARCHING GOALS FOR STATE CAPITAL

- Support our mission
- Take care of what we have
- Consistent with college master plans
- We don't want a single square foot we don't need

7

## FINDING THE BEST SOLUTION



8

## RESPONSIBILITIES

- State Board
  - Own all property *RCW 28B.50.140(8)*
  - Report all expenditures *RCW 28B.50.090(7)(b) & (14)*
  - Single prioritized budget request *RCW 28B.50.090(1)*
  - Allot funds from OFM and allocate to colleges *RCW 28B.50.090(2)*
- College
  - Deliver scope within funding provided *SBCTC Policy 6.20.30*
  - Account for expenditures *SBCTC Policy 6.30*
- Other agencies
  - OFM allots state funding based on progress
  - DES has public work authority and provides project management
  - DAHP advocate for the preservation of historic and cultural resources

9

## PIECES OF OUR STATE CAPITAL BUDGET

- M&O Fund Swap
- Minor Preservation
  - Emergency funding
  - Roof repairs
  - Facility repairs
  - Site repairs
  - Infrastructure repairs
- Minor Program Improvements
- Major Projects
- Alternative Financing

10

## M&O FUND SWAP

- Started as a way to use lottery funds in 2003-05
- Moved to Building Fee in 2009-11
- College amount equals original amount reduced in operating budget
- Now part of college minimum operating allocation

11

## MINOR PRESERVATION

- System sets funding targets
- College emergency funding (fka: RMI) is based on its' portion of system full-time equivalent students (FTE) and owned square footage (SF)
  - 35% FTE + 35% SF + 30% SF >25 years old
- Repairs are identified and prioritized through facility condition survey
- Individual projects can't exceed \$2M in state funding and must be completed in biennium
- State Board manages emergency and hazmat pools
- Adding new infrastructure category for 2021-23

12

## MINOR PROGRAM

- System sets funding targets
- College funding is based on its' portion of system full-time equivalent students (FTE) and owned square footage (SF)
  - 30% FTE + 35% SF + 35% SF >25 years old
- Colleges identify projects to reflect critical goals of the college and serve to improve the educational environment, better access, deal with childcare, or student support services.
- Individual projects can't exceed \$2M in state funding and must be completed in biennium

13

## MAJOR PROJECTS

- System adopts selection criteria and either a funding target or minimum score
- Funded in two phases
- Implications for design build delivery
- We use a pipeline to maintain priorities and minimize gaps between funding phases
- Facility conditions and utilization are significant factors

14

## EVERY MAJOR PROJECT SCORED ON A 100 POINT SCALE

### Overarching Criteria

*Applies to every project. Has 23 potential points.*

#### Matching Criteria

For projects with non-state funding.

#### Infrastructure Criteria

For projects with non-building infrastructure.

#### Renovation Criteria

For projects that include renovation of existing space.

#### Replacement Criteria

For projects that will demolish existing space and replace it with new construction.

#### New Area Criteria

For projects that increase the square footage of a campus.

*Category-specific criteria always totals 77 potential points.*

15

## ALTERNATIVE FINANCING

- All financing for a capital purpose requires legislative authorization and approval from the State Finance Committee *RCW 39.94*
- We use locally supported Certificates of Participation for land and facilities the state legislature does not typically fund
- Legislative authority is requested in the capital budget
- The State Finance Committee is:
  - Treasurer – chair
  - Governor
  - Lieutenant Governor
  - Staffed by Treasurer’s office and bond council

16



## LOCAL CAPITAL

- The State Board must “establish and administer criteria and procedures for all capital construction.”  
*RCW 28B.50.090(9)*
- We use the local capital expenditure authority request form to collect information (fka: C8)
- Assign State Board project number for tracking
- State Board has delegated authority to the Executive Director for projects costing \$1M, and less.

17

## MINOR PROJECT ALLOCATIONS

- Minor projects allotted by OFM based on lists
- Allocated at beginning and lapse at end of biennium
- List changes can be made quarterly
- Emergency and hazmat pools allocated until gone

**Key to success: schedule all the work before the biennium starts.**

18

## MAJOR PROJECT ALLOCATIONS

- Allotted by OFM based on progress
- Predesign at beginning of biennium
- Remainder of design-phase funding after the predesign is approved by OFM
- Construction and related costs after bid
- Equipment after OFM approval of detailed list
- College must manage the project within the funding provided


Keys to success: keep project budget up to date and don't let issues linger.

19

## MONITORING

- State Board merges expenditure data from legacy and ctcLink systems into CapTrack monthly and nightly, respectively
- Examples of allocation and monitoring screens on the next two slides

20

 [Allocation Schedule](#) [Expenditure Monitoring Report](#) [Project Schedule](#) [SBCTC Home](#)


Community and Technical Colleges Capital Budget Tracking 2017-2019 ▾

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**2017-2019 Capital Allocation Schedule  
Lake Washington Institute of Technology - 260**

OFM Project	SBCTC Project	Fund	Approp	Description	Approp Reapprop	Unallotted Reserve	Allocations
30001294	N055	060	U89	East Building (260-EAS; UFI A02059) - Replace elevator controls and associated components. (FCS F04); +\$2K ESSB 6095	\$97,000.00	\$0.00	\$97,000.00
30001294	N057	060	U89	East Building (260-EAS; UFI A02059) - Replace the main commons in East building and cold storage room	\$1,300,000.00	\$0.00	\$1,300,000.00
30001295	N413	057		Site (260A) - Clean, re-seal and provide pumps to keep electrical vaults dry (FCS S02)	\$138,000.00	\$0.00	\$138,000.00
30001295	N414	060	U91	Site (260A) - Repair or replace failed concrete stair risers and restore the associated drain system (FCS S03)	\$422,000.00	\$0.00	\$422,000.00

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**2017-2019 Capital Expenditure Monitoring Report  
Lake Washington Institute of Technology - 260  
As of End of Fiscal Month: July 2018**

Fund	Approp	Proj.	Description	Approp Reapprop	Unallotted Reserve	Allocations	Expenses	Accrued	Expenditure Variance	Encumbered	Uncommitted Balance
147	R10	N399	Remodel student commons in East building SB Res 18	\$1,300,000.00	\$0.00	\$1,300,000.00	\$23,076.08	\$0.00	\$1,276,923.92	\$0.00	\$1,276,923.92
060	U19	N238	East Building (260-EAS; UFI A02059) - Replace the main commons in East building and cold storage room	\$349,000.00	\$0.00	\$349,000.00	\$1,731.00	\$0.00	\$347,269.00	\$0.00	\$307,631.30
060	U91	N414	Site (260A) - Repair or replace failed concrete stair risers and restore the associated drain system	\$422,000.00	\$0.00	\$422,000.00	\$0.00	\$14,938.25	\$407,061.75	\$0.00	\$17,038.25
057	U96	N187	Faculty office remodel	\$174,000.00	\$0.00	\$174,000.00	\$0.00	\$0.00	\$174,000.00	\$0.00	\$174,000.00
057	U96	N188	Culinary program improvements	\$340,000.00	\$0.00	\$340,000.00	\$0.00	\$22,053.53	\$317,946.47	\$0.00	\$317,946.47
057	U96	N189	HVAC improvements	\$145,000.00	\$0.00	\$145,000.00	\$0.00	\$0.00	\$145,000.00	\$0.00	\$145,000.00

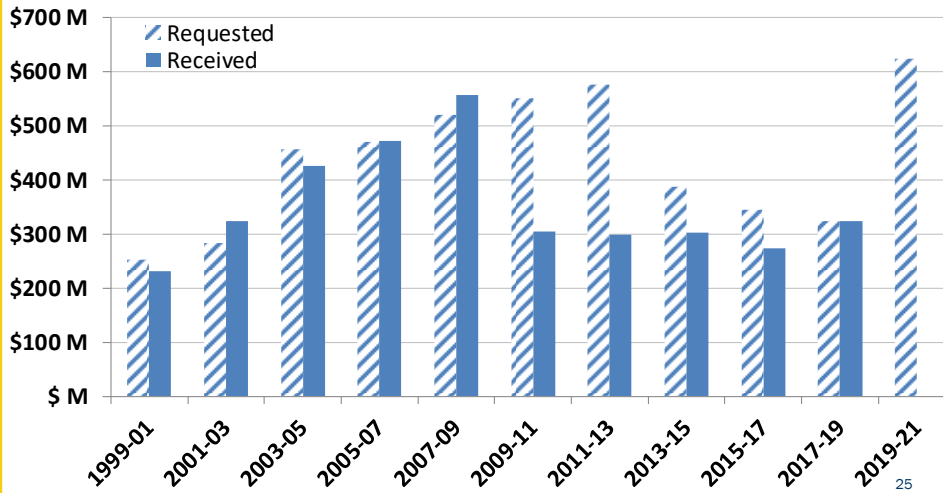
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## 2019-21 REQUEST

## HOT TOPICS

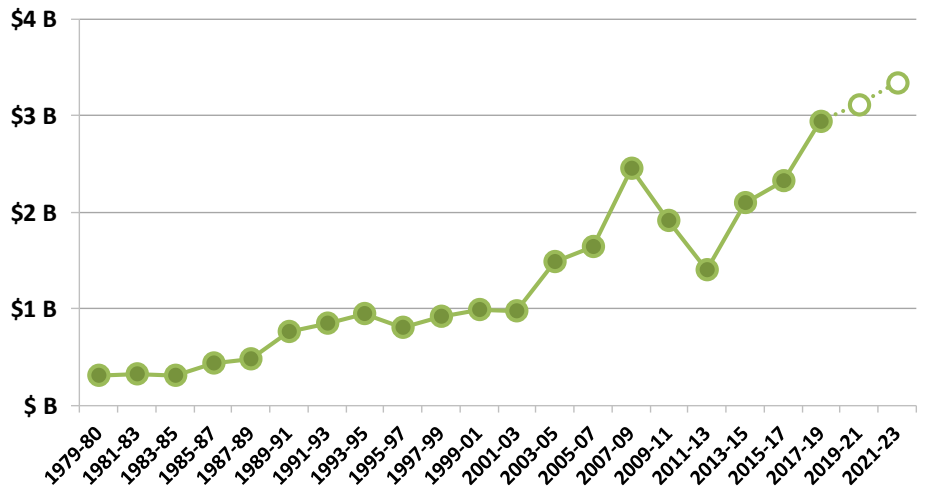
- Requesting about twice the state bonds we have recently been receiving
- College end runs to the process and request
- Staff paid from the state capital budget
- Our aging infrastructure
- Space utilization
- New M&O funding

## CAPITAL REQUESTS AND FUNDING



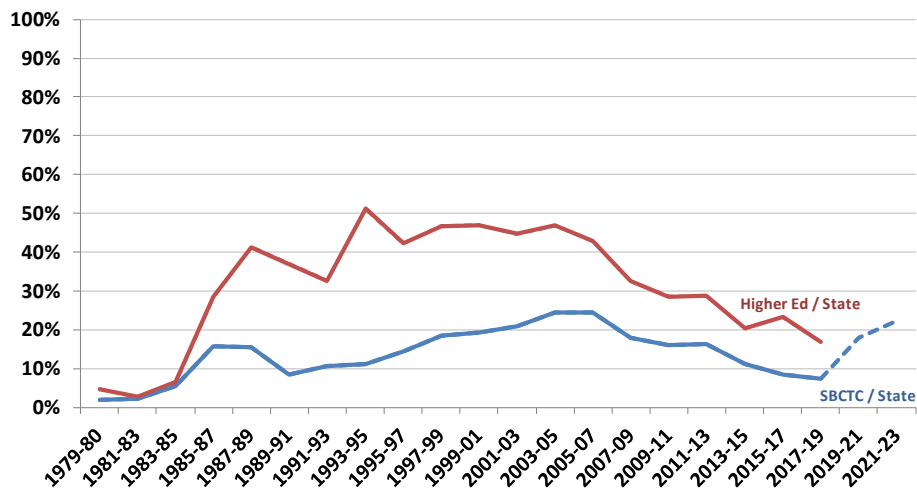
25

## STATE BOND CAPACITY



26

## PORTION OF STATE BONDS



27

## END RUNS

- While individual districts may be able to get something added to the budget when they are represented by a legislator in a leadership position, the system believes it gets better results over the long run by working together
- WACTC has had a policy against districts going around the process for capital funding since 2006
- The policy was last update in 2014 to exclude funding provided for leased properties

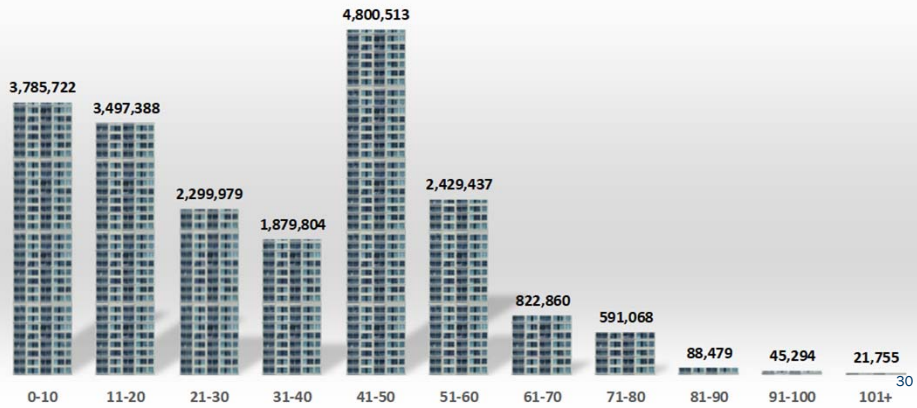
28

## STAFF PAID WITH STATE CAPITAL FUNDING

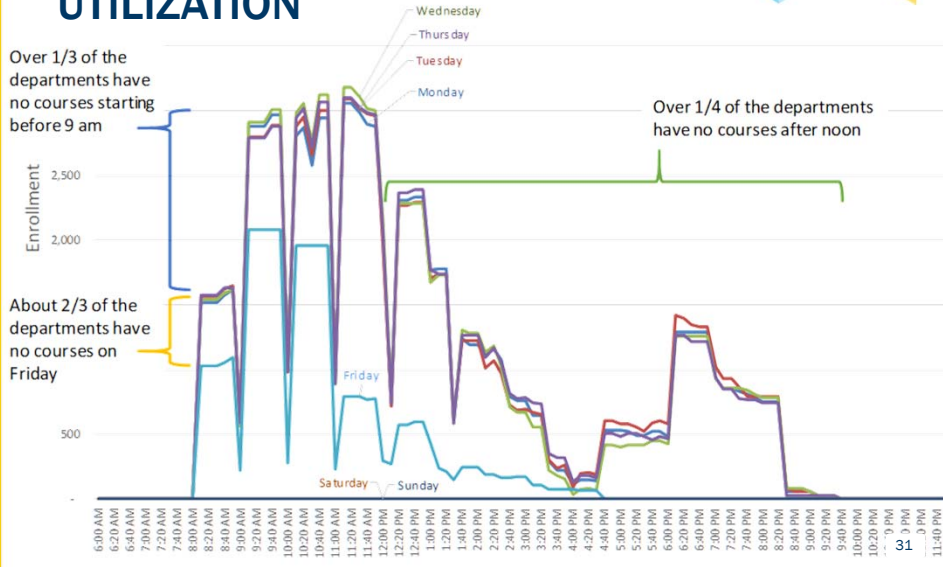
- Most of the capital budget is from bonds financed over 25 years
- We only want to finance things that will be around while we are still paying for them
- OFM provides guidance on what equipment and staff can be paid for from the state capital budget
- JLARC is reviewing all 2015-17 staff expenditures from capital appropriations for compliance

## AGING INFRASTRUCTURE

### Building Square Footage by Age



## UTILIZATION



## NEW M&O FUNDING

- The legislature has not provide increases specifically for M&O of existing facilities
- New M&O is funded for the state supported portion of major projects (\$7.24/GSF for 2017-19)
- The M&O increase goes into “safe harbor” for 4 years and then becomes part of the funding distributed using the operating budget allocation model





## NEXT STEPS FOR 2019-21 BUDGET

- Friday, September 14, 2018 Capital budget request due to OFM
- Monday, December 10, 2018 Governor's budget proposals expected
- Monday, January 14, 2019 First day of 2019 session
- Friday, March 01, 2019 Fiscal committee cut off
- Wednesday, March 13, 2019 Last day to hear bills in house of origin
- Sunday, April 28, 2019 First 2019 session ends



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