

CAPITAL BUDGET BASICS

New information for 2023-25 capital budget requests

Look for the **NEW** indicator throughout these instructions for more detailed information on significant new material and changes made for the 2023-25 capital budget instructions. A summary of the most significant changes is listed below:

■ Cost estimates

- For construction projects with an estimated total cost over \$1 million (\$2 million for higher education), agencies must provide cost estimates by completing the Excel C-100 and attaching it in CBS in .xls or .xlsx format. Please note that the CBS 003 report is no longer required and will not be used in OFM or Legislative budget development; some updates to the C-100 are not reflected in the CBS cost estimator due to outdated database architecture.
- Agencies are not required to submit C-100s or CBS cost estimates for minor works subprojects (projects less than \$1 million or \$2 million for higher education institutions) or minor works parent projects. Request totals for each subproject can be entered into CBS without a detailed cost estimate.
- Agencies are also not required to submit C-100s or CBS cost estimates for projects that will not be initiated until budget outyears (2025-27 and after). Please include C-100s for projects with acquisition, predesign, design or construction funds requested in 2023-25. Request totals for each project can be entered into CBS without a detailed cost estimate.

■ Reappropriations

- To ensure reappropriation requests are accurate, agencies must use the most current enacted version in CBS and not the original agency request version from the previous biennium.
 - Agencies do not need to populate answers to the “project description” questions in CBS for reappropriation requests.
 - Agencies do not need to enter a priority for reappropriation requests. Agencies priorities should be focused on new project requests.
 - OFM and the Legislature will request periodic reappropriation updates as they develop their budgets. OFM and the Legislature are developing a new process that would calculate reappropriations based on actual expenditures and future allotted amounts. This will require that agencies accurately account for capital expenditures and allotments. More information about this process will be communicated in Summer/Fall of 2022.
- The agency project management/administration fee calculation is updated. The new calculation is based on the A/E basic service fee, minus 3 percent and multiplied by the sum total of acquisition cost, consultant services cost, maximum allowable construction cost, construction contingency and other costs as identified in the Excel C-100 form. Previously the calculation was minus 4 percent.
- The Clean Buildings standard will apply to many state agency facilities (see Section 5.11). The objective of these laws, passed in 2019 and 2022, are to lower costs and pollution from fossil fuel consumption in the state’s existing building stock. To help OFM and the Legislature identify projects that help meet clean buildings performance standards, please add the acronym “CBPS” to the associated project title in CBS. For example, “CBPS: Administrative building HVAC replacement.”

- Programs and projects (for example, minor works, grants, or loans) where there is a known subproject are required to submit a project list with additional subproject data through CBS 002. If a project list is developed after the release of the Governor’s budget, please contact your capital budget analyst to coordinate the transfer of subproject data when it becomes available.
- The Healthy Environment for All Act (HEAL Act), chapter 314, Laws of 2021 (codified at [RCW 70A.02](#)), was adopted to ensure environmental reviews, funding decisions, and permitting decisions identify and address environmental health disparities in overburdened communities, reduce exposure to environmental hazards on tribal lands, and track and measure implementation of environmental justice in state agencies. Under [RCW 70A.02.080\(2\)](#), beginning on or before July 1, 2023, covered agencies must, where practicable, take specific actions when making expenditure decisions or developing budget requests to OFM and the Legislature for programs that address or may cause environmental harms or provide environmental benefits. Agencies must also consider any guidance developed by the Environmental Justice Council and the Environmental Justice Interagency workgroup under [RCW 70A.02.110](#).
- Agencies should apply for federal [Infrastructure Investment and Jobs Act](#) grants as they become available and request federal expenditure authority and any associated state match as part of the biennial budget process.
- The instructions provide clarification on equipment purchases using bonds or COPs and information on stand-alone equipment COPs.

1.1 Introduction

These instructions are required by statute ([RCW 43.88.030](#)) and are intended to assist agencies through the budget submittal and implementation process. The information submitted by agencies is used by the Governor, the Office of Financial Management (OFM) and the Legislature as a basis for budget decisions.

If you have questions about these instructions or specific capital budget requests, contact your assigned capital budget [analyst](#).

1.2 What is a capital project?

The capital budget includes appropriations for a broad range of construction, renovation and acquisition projects involving state office buildings; colleges and universities; prisons and juvenile rehabilitation facilities; parks and recreation; K-12 schools, affordable housing facilities for low-income persons and people with special needs; water quality, water supply and flood risk reduction infrastructure; and other public capital facilities and programs. A capital project is a project to construct either new facilities or make significant, long-term renewal improvements to existing facilities. Grants made by or passed through the state to fund projects for other entities are also included in the capital budget, and these instructions apply to those projects as well.

Capital projects appropriated in the capital budget are public works under Chapter [39.04](#) RCW and subject to prevailing wage requirements and other applicable laws. Costs for routine maintenance work necessary to keep a facility or asset in useful condition are not typically included in the capital budget and are not an allowable use of state financed bonds.

1.3 Phases and types of capital projects

Predesign

A predesign is a document that explores alternatives, conveys programming information, and provides a cost estimate for a proposed capital project. The predesign should assess which alternative best addresses an identified problem, opportunity, or program requirement and at what cost. Decision makers in the Governor's Office, OFM and the Legislature use this information to determine whether the project should proceed to design and construction.

For more information, see OFM's Predesign [Manual](#). Although predesign is often viewed as the first phase in a major capital construction project, OFM approval of the completed predesign does not guarantee additional appropriations for design or construction.

Predesigns are required for all capital projects with costs expected to exceed \$10 million (RCW [43.88.110\(5\)](#)) and projects with smaller appropriations that are selected by the Legislature or OFM because they are particularly time sensitive, have high risk or are of particular interest to decision makers. OFM has authority to make exception to some of the predesign requirements but must report any exceptions to the fiscal committees of the legislature with a justification. Contact your capital budget analyst for approval early in the predesign process if your agency believes one or more elements of the predesign will not add value for decision makers or if there are other compelling reasons that may warrant an exception.

Design

Design documents form the basis for taking bids and constructing a facility. In the design phase, the needs, ideas, and proposals of the agency are transformed into plans and specifications. Normally, the design phase consists of three basic parts, each of which includes preparation of both drawings and written specifications: schematic design, design development and construction documents.

For most construction projects, an architect/engineer (A/E) assumes overall responsibility as the owner's agent for the design, bid and construction observation functions. This includes ensuring that the project is completed within the limits of an established budget. An A/E also coordinates the activities of other design professionals working on the project.

Construction

The construction phase transforms the needs, ideas, and proposals of the agency, as defined by the plans and specifications, into a physical structure. The construction phase begins with the bid and continues through final acceptance of the construction project and equipping the building for use. Upon completion and approval of the final construction documents, including the bidding requirements, the project is ready for release to contractors to obtain proposals or bids.

There are other alternative contracting methods such as general contractor/construction manager and design build. Capital Projects Advisory Review Board must certify a public body to use alternative contracting methods or provide project by project approval (RCW [39.10.270](#) and RCW [39.10.280](#)).

Grant and loan programs

Grant programs and projects provide capital appropriations to state and local governments, community organizations and tribes for public facilities and land.

Minor works

Minor works projects appear as a parent project in the budget and include multiple subprojects valued between \$25,000 and \$1 million each (for higher education institutions, the range is \$25,000 and \$2 million). Minor works projects should be completed within the biennium.

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Studies

Studies funded in the capital budget, particularly with bonds, should have a clear capital budget nexus. The study should culminate in a capital budget request or inform capital budget decision makers.

1.4 Reappropriations

Because many capital projects and acquisitions require more than one biennium to complete, the capital budget includes reappropriations, which are unspent amounts from enacted appropriations made in the previous two-year budget period that are necessary to complete a project.

Agencies must demonstrate funds are needed to complete the previously approved scope of work. Reappropriations are subject to the conditions and limitations applicable to the original appropriation unless context clearly provides otherwise. Reappropriations are limited to the unexpended balances remaining at the end of the fiscal biennium. The sum of requested reappropriation and actual expenditures may not total more than the enacted appropriation for each project.

1.5 Administrative and staffing costs

Capital project administration costs are for activities directly related to the completion of a capital project or implementation of a program funded in the capital budget. See Chapter 4 for the appropriate use of tax-exempt bond proceeds related to agency administrative and staffing costs. Administrative costs for both grant and loan programs and construction projects are limited by the IRS (Chapter 4), OFM, and in some cases the Legislature. If you have questions about the use of a capital appropriation for administrative and staff costs, please contact your capital budget [analyst](#).

Agencies that employ full-time staff who directly support capital projects must identify these staff functions and their anticipated full-time equivalent (FTE) and supporting expenditures on their Capital FTE Summary.

Common agency accounting practices for administration costs associated with capital projects include charging each project directly for costs incurred or assessing a project administration fee across agency capital projects and using the pooled funds to pay agency project administrative costs.

Grant and loan program administration

Unless specified otherwise in law, an agency administering an existing grant or loan program may charge up to 3 percent of the total new appropriated project costs. Please contact your capital budget [analyst](#) if the agency believes 3 percent is not adequate to implement a program. Exceptions may be granted on a very limited basis with documentation justifying the need, which could include implementing a new program or federal requirements.

Agency construction project management and administration fees

The following guidelines will help clarify appropriate budgeting of administrative and project management expenses for the completion of capital construction projects:

- Major and stand-alone capital projects greater than \$1 million (\$2 million for higher education).
 - » The project management/administration fee is based on the A/E basic service fee, minus 3 percent and multiplied by the sum total of acquisition cost, consultant services cost, maximum allowable construction cost, construction contingency and other costs as identified in the Excel C-100 form. Access the A/E fee [schedule](#) for more information. This rate is intended to be a ceiling, not a target. Agencies must evaluate their project management and administration requirements for each project when requesting these fees. OFM or the Legislature may further adjust agency project management fees based on project complexity and size.
 - » When the Department of Enterprise Services (DES) is responsible for project administration, the project management/administration fee is not included in the capital request. Agencies should select “Project Administered by DES” on the summary tab of the C-100. However, if the project is alternatively financed, additional DES fees will be incurred. Agencies should consult with DES Engineering and Architectural Services when projects are not funded by appropriation. Projects funded through alternative financing mechanisms need to include cost estimates for the additional project management/administration in the capital request for those projects.
- Minor works appropriation with subprojects less than \$1 million (\$2 million for higher education).
 - » The project management/administration fee generally may not exceed 4 percent of the total new appropriated project cost unless approved by OFM.

UPDATED

Architect and engineering fees

For the purpose of budgeting for capital projects, the fees for basic A/E services are calculated using the [Guidelines](#) for Determining Architect/Engineer Fees for Public Works Building Projects and the A/E fee [schedule](#).

The A/E fee guidelines define the basic design services typically needed in every project and provide definitions for reimbursable expenses and extra or other services. The A/E fee schedule is intended as a ceiling for budget purposes, not a target. Agencies must evaluate their specific project requirements when requesting these fees. After projects have been appropriated, agencies are expected to negotiate with A/E consultants to purchase design services based on consultant proposals at a fair and reasonable cost, rather than simply using the budgeted amount to establish the fees.

1.6 Infrastructure Investment and Jobs Act and other federal programs

On November 15, 2021, the federal [Infrastructure Investment and Jobs Act](#) became law. The Jobs Act provides new funding for infrastructure projects. Agencies should apply for these grants as they become available and request federal expenditure authority and any associated state match as part of the biennial budget process.

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