

CHAPTER 5

BUDGET IMPLEMENTATION

The capital budget is enacted after the House and Senate pass, and the Governor signs, a compromise budget. For more information, see A [Guide](#) to the Washington State Budget Process.

Once the budget is enacted, agencies must follow a process before spending their appropriation. This chapter outlines the steps for agencies to expend funds, beginning with OFM assigning an Expenditure Authority (EA) code.

5.1 ALLOTMENTS

After the EA code is assigned, agencies must submit allotments for expenditures, revenues and FTEs.

The Budget, Accounting, and Reporting System Act (Chapter [43.88](#) RCW) outlines the legal authority and responsibility of the Governor and OFM to allot public funds. OFM publishes allotment instructions that describe the agency's responsibilities and requirements for submitting initial allotments, amended allotments and special allotments to detail the plan of expenditures, revenue estimates and related full-time equivalent (FTE) estimates of enacted budgets. (Visit OFM's [website](#) for the allotment instructions after the 2012-23 budget is enacted.)

Agencies must use The Allotment Management and Review System (TALS-AMR) for submitting allotments to OFM. No expenditures may be incurred prior to OFM approval of allotments.

5.2 MINOR WORKS LISTS

Once the capital budget is enacted, submit final minor works project lists, including requested revisions to the project lists, to OFM for review and approval, and to the House Capital Budget and Senate Ways and Means committees for review and comment.

Minor works lists submittal must include:

- Parent project number and project title.
- Minor works projects and budget estimates.
- Explanation of variances from the enacted capital budget minor works lists.
- Alternate minor works projects, if applicable.

No expenditures may be incurred prior to OFM's written approval of the updated minor works lists and allotment schedule. With OFM approval, savings from a minor works subproject may be transferred to another minor works subproject for which the project budget allocation is insufficient, or to fund an alternate minor works subproject that is approved by OFM. Minor works projects must be completed within the biennium in which they were appropriated.

5.3 ART ALLOCATION

Capital appropriations for the original construction of public buildings (including K-12 facilities) and, in the case of higher education institutions, renovations costing more than \$200,000, require the purchase of public artwork. Artwork acquisition is coordinated in conjunction with the Washington State Arts Commission Art in Public Places program. Agencies should be prepared to coordinate with the Washington State Arts Commission for projects funded in the enacted budget.

5.4 MAJOR PROJECT STATUS AND FINAL CLOSEOUT REPORTS

Agencies administering a major capital project or projects specifically identified for reporting requirements by OFM, as required by RCW [43.88.160](#), must submit a major project status report to OFM each July 1 and December 31.

After a major project is completed, an agency must also submit a major project final closeout report to OFM. Agencies must report project savings following the completion of projects to OFM.

Agencies must use the report [template](#) posted on OFM's website.

5.5 TRANSFERS

Subject to certain restrictions, the Governor, through OFM, may transfer project savings to another project for which the appropriation is insufficient (RCW [43.88.145](#)). An agency may request such a transfer by submitting a letter to OFM. No expenditures may be incurred prior to OFM approval of the transfer request and allotment schedule.

5.6 STATUS UPDATES FOR REPORTS AND STUDIES FUNDED BY THE BUDGET

Please check in quarterly with your capital budget analyst to update them on reports and studies funded by the capital budget. This update should identify any risks to the successful, on-time completion of the study or report. For cabinet agencies, at least two weeks must be included in the project schedule for OFM budget and Governor's Office policy review. Please submit completed reports and studies to OFMPolicy@ofm.wa.gov.

5.7 LIFE CYCLE COST ANALYSIS AND LIFE CYCLE COST TOOL

These life cycle cost analysis tools use a Washington-specific discount rate to estimate the present value of future costs. This rate is updated annually and is identified in both Excel workbooks available on OFM's website.

During predesign

For predesign projects, agencies must use OFM's life cycle cost analysis [model](#) to compare the long-term costs of project alternatives (LCCM, RCW [39.35B.050](#)). This model evaluates the tradeoff over time from increased capital investment in the purchase and/or construction of facilities. Please refer to the predesign manual for more information.

The model and instructions are available on OFM's [website](#).

During design, construction and project close

After a project enters the design phase, agencies must use OFM's life cycle cost [tool](#) (LCCT) to demonstrate how the building design contributes to energy efficiency and conservation. The LCCT

is required for facilities with an area of 5,000 square feet or greater (Executive Order [13-03](#)). The LCCT evaluates the tradeoff over time from increased initial capital investment in high-performance energy system components that may include, but are not limited to, the building envelope, HVAC system, water-using fixtures and/or lighting. OFM will not allot construction funds until the analysis is completed.

The tool, instructions and training webinars are located on OFM's [forms](#) page.

NEW! 5.8 STATE EFFICIENCY AND ENVIRONMENTAL PERFORMANCE EXECUTIVE ORDER

The state efficiency and environmental performance executive order requires, subject to available funding, newly constructed, state-owned (including lease purchase) buildings be designed as zero energy or zero-energy capable, and include consideration of embodied carbon. In unique situations where a cost effective zero-energy building is not yet technically feasible, buildings must be designed to exceed the current state building code for energy efficiency to the greatest extent possible (Executive Order [20-01](#)). The State Efficiency and Environmental Performance Office provides guidance on zero energy projects through the [Zero Energy Toolkit](#).

Since most state facilities are currently operating below their maximum feasible energy efficiency, agencies must also adopt and implement plans to reduce energy use in state-owned facilities. In most cases, agencies will choose to adopt tools to improve energy efficiency, operations, process management, and occupant behavior in the short term, while accelerating planning for deep facility retrofits and new construction in future years.

NEW! 5.9 CLEAN BUILDINGS STANDARD

On May 7, 2019, Governor Inslee signed into law House Bill 1257, commonly referred to as the Clean Buildings law. The objective of this legislation is to lower costs and pollution from fossil fuel consumption in the state's existing building stock. The Clean Buildings standard will apply to large non-residential buildings, including state agency facilities, greater than 50,000 square feet in floor area.

The law requires that Commerce develop and implement an energy performance standard for these buildings and provide incentives to encourage efficiency improvements. Commerce will use a staged approach to implement the state energy performance standard for covered commercial buildings. Agencies should plan for how they will comply with these standards and submit associated budget requests, as several biennia of improvements may be necessary.

Staged approach timeline:

- Develop rules by November 2020
- From 2021 to 2026, the standard will be used for a voluntary efficiency incentive program.
- In 2026, the standard will begin mandatory compliance according to the following size schedule:
 - » June 1, 2026 for buildings over 220,000 square feet,
 - » June 1, 2027 for buildings over 90,000 square feet but less than 220,000 square feet, and
 - » June 1, 2028 for buildings over 50,000 square feet but less than 90,000 square feet.

NEW! 5.10 EXPECTED USE OF BOND PROCEEDS AND CERTIFICATES OF PARTICIPATION

OFM staff will contact agencies to answer a set of questions for the Office of the State Treasurer once the budget is enacted, to help verify that individual projects are eligible for funding from tax exempt bonds or certificates of participation, both of which are subject to IRS rules.

5.11 BOND FUND CASH FLOW PLANS

The Office of the State Treasurer (OST) conducts a regular survey to collect updated information on agency cash flow needs. This assists in planning future bond sales. Some agencies, as requested, must complete and return the bond fund cash flow estimates form, expected use of proceeds form, and any supporting materials to OST by the due date.