

CAPITAL BUDGET BASICS

New or updated information for 2025-27 capital budget requests

Look for the **New** and **Updated** indicators throughout these instructions for more detailed information on significant new material and changes made for the 2025-27 capital budget instructions. A summary of the most significant changes is listed below:

Cost estimates **Updated**

- For construction projects with an estimated total cost over \$1.5 million (\$2 million for higher education), agencies must provide cost estimates by completing the Excel C-100 and attaching it in the Capital Budget System (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in OFM or Legislative budget development; some updates to the C-100 are not reflected in the CBS cost estimator due to outdated database architecture.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 \$1.5 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 (2027-29 and after). Please include C-100s for projects with acquisition, predesign, design, or construction funds requested in 2025-27. Request totals for each project can be entered into CBS without a detailed cost estimate.

Reappropriations **Updated**

- 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.
- For large and minor works projects where appropriation began prior to the 2021-23 biennium, agencies must populate answers to the “reappropriation” questions in CBS for reappropriation requests.
- Agencies do not need to enter a priority for reappropriation requests. Agency priorities should be focused on new project requests.
- OFM and the Legislature will request periodic reappropriation updates as they develop their budgets.

Project management/administration fee **Updated**

- Based on the updated [A/E guidelines](#), the agency project management/administration fee 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](#).

Direct pay **New**

- Agencies should apply for federal Direct Pay (see Chapter 1.7 instructions) and [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.

Governor's salmon strategy **New**

- The Governor's Salmon Recovery Office (GSRO) is identified in statute ([RCW 77.85.030](#)) and in the strategy as the lead agency to maintain and implement the strategy.
- The GSRO will send detailed instructions to agency subcabinet leads by mid-June for submitting salmon recovery related budget requests. Agency subcabinet leads will submit proposed budget requests to GSRO mid-July. GSRO staff will work with subcabinet leads to review and determine which proposals are implementing the strategy by mid-August.
- In the agency summary, include the statement, "Related to implementing the Governor's Salmon Strategy." See [Chapter 3.3](#) for more details.

1.1 Introduction

These instructions are required by ([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 all phases of construction of a new facilities or significant, long-term renewal improvements to existing facilities, and repair projects. Capital projects may also include acquisition of land and/or buildings, grants passed through to organizations or awarded through competitive programs for capital projects.

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

Pre-design

A pre-design is a document that explores alternatives, conveys programming information, and provides a cost estimate for a proposed capital project. The pre-design 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.

Updated For more information, see OFM's [Pre-design Manual](#). Although pre-design is often viewed as the first phase in a major capital construction project, OFM approval of the completed pre-design 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 time sensitive, have high risk, or are of interest to decision makers. OFM has authority to make exception to predesign requirements but must report any exceptions to the fiscal committees of the Legislature with 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 **Updated**

Minor works projects appear as a parent project in the budget and include multiple subprojects valued between \$25,000 and \$1.5 million each (for higher education institutions, the range is \$25,000 and \$2 million). Minor works projects should be completed within the biennium.

Studies

Studies funded in the capital budget, particularly with bonds, should have a clear capital budget nexus and often will lead to a capital budget request or inform capital budget decision makers.

1.4 Reappropriations **Updated**

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 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 **Updated**

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 \$1.5 million (\$2 million for higher education).
 - » The project management/administration fee is based on the Architect and updated Engineering (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 \$1.5 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.

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

In 2021, the federal [Infrastructure Investment and Jobs Act, \(H.R.3684\)](#), became law. It provides 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.

1.7 Direct Pay Tax Credits **New**

Under the [Inflation Reduction Act of 2022 \(P.L. 117-169\)](#), new and expanded tax credits for clean energy technologies are available to tax-exempt and government entities. This 10-year program referred to as “direct pay” (or “elective pay”) gives tax-exempt and governmental entities that do not owe Federal income taxes the ability to receive a payment equal to the full value of tax credits for building qualifying clean energy projects or making qualifying investments.

State agencies can receive tax-free cash payments from the IRS for clean energy tax credits earned, when all requirements are met, including a pre-filing registration requirement.

Eligible projects likely relevant to state agencies include the purchase of electric vehicle fleets, electric vehicle infrastructure, and renewable energy projects such as wind, solar, geothermal, and energy storage. [IRS Publication 5817-G \(6-2023\)](#) provides a brief description of tax credit provisions for direct pay. The 13 applicable tax credits fall into four categories:

Energy generation & carbon capture

- Production Tax Credit for Electricity from Renewables (45)
- Clean Electricity Production Tax Credit (45Y) 2025 onwards
- Investment Tax Credit for Energy Property (48) pre-2025
- Clean Electricity Investment Tax Credit (48E) 2025 onwards
- Low-Income Communities Bonus Credits (48(e), 48E(h))
- Carbon Oxide Sequestration (45Q)
- Zero-Emission Nuclear Power Production Credits (45U)

Manufacturing

- Advanced Energy Project Credit (48C)
- Advanced Manufacturing Production Credit (45X)

Vehicles

- Credit for Qualified Commercial Clean Vehicles (45W)
- Alternative Fuel Vehicle Refueling Property Credit (30C)

Fuels

- Clean Hydrogen Production Tax Credits(45V)
- Clean Fuel Production Credit (45Z) 2025 onwards

The 2024 supplemental capital budget (Sec. 8008, chapter 375, Laws of 2024) directs OFM to work with agencies to collect a list of qualifying projects and complete the steps necessary to file an annual tax return for 2023 and 2024. Funds received from direct pay tax credits will be deposited in the Inflation Reduction Elective Pay Account (Fund 28V). Agencies must identify capital projects that may qualify for direct pay with budget submittals in CBS. Agencies must list all projects requested in decision packages that may qualify for direct pay in the linked [form](#) and submit to OFM. Include all information requested and indicate that projects are eligible for direct pay in the project description. If you have questions about these instructions or capital project eligibility, contact your assigned OFM capital budget [advisor](#).