Chapter 1

Capital Budget Request Basics

1.1 STRATEGIC FRAMEWORK FOR BUDGET DECISIONS

Budget is one of the most important tools for implementing policy and achieving results

In its review of agency capital budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest and how does the capital budget request support them?
- How do we know we are purchasing these construction activities at the best possible price?
- Given financial or other constraints, how can we maximize the results that citizens want?
- How do proposed capital investments support the agency's mission, goals and objectives?
- How do investments support the statewide goals, objectives and outcomes?

> **Persuasive capital plans address agency and statewide priorities**

1.2 CAPITAL BUDGETS ARE TEN-YEAR PLANS

Agencies are required to submit ten-year capital plans

The state Budgeting, Accounting and Reporting System Act (Chapter 43.88 RCW) mandates a long-range approach to capital budget planning. It requires state agencies and institutions to submit a plan of proposed capital spending for a ten-year period, starting with the ensuing biennium. This long-range planning is designed to identify future needs and propose capital projects to address those needs. The ten-year capital plan, also referred to as the capital budget, must support the agency's mission and the goals and objectives of its strategic plan.

Projects can span several biennia

The ten-year planning process recognizes that major capital projects span several biennia from start to finish. In the ten-year plans, project information must include estimates for present and future operating and maintenance costs, including any debt service that must be paid from a dedicated account.

More project detail required in the first six years

OFM recognizes that certainty about state programs declines as agencies look into the future. Therefore, the last four years of the capital plan do not need to contain the same level of project detail as the first six.

1.3 HOW IS THE CAPITAL BUDGET REQUEST ORGANIZED?

Summary of Ten-Year Capital Plan

The Ten-Year Capital Program Summary report (CBS001) from the Capital Budgeting System (CBS) provides a summary of the agency's projects in priority order.

Prioritize projects

Agencies must prioritize each capital project in the ten-year capital plan by its contribution to the goals, objectives, strategies and activities in the agency's strategic plan.

See "Capital Budgeting System (CBS) Agency Division and Facility User Tutorial" on how to prioritize projects in the system at: http://BASS.ofm.wa.gov/BASSPR/library/, or if you are a Fortress agency, at https://fortress.wa.gov/ofm/bass/BassPR/library/default.htm.

FTE Summary

Agencies must provide a Capital FTE Summary (CBS004), which displays:

- Staff and expenditures budgeted for capital projects in the 2013-15 biennium
- Proposed staff and expenditures for the 2015-17 biennium
- Narrative describing the role of proposed FTEs and an explanation for any changes from the 2013-15 biennium

Policy guidelines for administrative and staff costs in the capital budget are contained in Chapter 5. This report is produced through CBS.

Review documentation from DAHP and GOIA

In accordance with Executive Order 05-05, agencies must consult with the Department of Archaeology and Historic Preservation (DAHP) and the Governor's Office of Indian Affairs (GOIA) on all capital construction projects and land acquisitions (for the purpose of a capital construction project) before they can be considered for funding.

Agencies must submit with their capital budget, a letter from DAHP confirming that the proposed capital projects have been reviewed. (Some agencies may have an exemption from this requirement from DAHP.) If the request is a grant that contains multiple subprojects, ensure that this requirement is contained in the application process or the contract. (See Chapter 1.7 for DAHP contact information.)

Greenhouse gas emissions reduction and vehicle miles reduction

For all capital budget requests, agencies are required to submit documentation indicating that they have adopted policies to reduce greenhouse gas emissions in accordance with RCW 70.235.070, and to reduce annual per capita vehicle miles in accordance with RCW 47.01.440 or RCW 43.160.020 for rural counties. (Generally, rural counties include all counties except Clark, King, Kitsap, Pierce, Snohomish, Spokane and Thurston. See http://www.ofm.wa.gov/pop/popden/rural.asp for a current listing.)

Agencies submitting a major capital project design or construction funding request also must address those components/systems in the project that support their greenhouse gas reduction policy and vehicle miles reduction policy.

Final project cost report

As recommended in the 2009 JLARC report, "Evaluation of the Accuracy of Capital Project Cost Estimates," agencies must complete a Final Project Cost Report for all major projects ($5 million or more in total cost) that have reached final completion and financial close-out in the current biennium. The report will record information needed to compare completed projects with cost and scope estimates submitted in requests for capital budget appropriations. OFM has developed a template for the final project close-out report which is available at: http://www.ofm.wa.gov/budget/capitalforms/majorprojectstatusreport.xlsx.

Agencies shall include a list of projects that meet these criteria, along with the report(s). The project list and associated cost estimates are required submittal items with the 2015-17 capital budget request.

Backlog reduction plan

RCW 43.88.030(5)(d) requires agencies to develop a strategic plan for reducing their maintenance backlogs and for doing repair projects. This plan must be included in the capital budget submittal. (More information is available in Chapter 3.1.)

Project information is grouped by project classification

More detailed project information is presented by project classification. There are three project classes:

- Preservation: Projects that maintain, preserve and extend the life of existing state facilities and assets.
- Programmatic: Projects that primarily achieve a program goal.
- Grant: Projects that provide capital appropriations to state, tribal, local or community organizations for facilities, land acquisition, habitat, and other land or project improvements. In CBS, there is a Grant Pass-Through option for grants that do not have a subproject list. There is no requirement for listing the location for these items as it is typically unknown.

Each project requires specific information depending on class and size

Each proposed project requires supporting information that varies depending on the class and size of the project. Chapter 1.4 provides a guide to the differences in submittal requirements.

A Capital Project Request report (CBS002) must be submitted for each project greater than $1 million ($2 million for higher education institutions). See Chapter 2.4 for the report format.

A Capital Project Request report (CBS002) must also be submitted for the collection of minor works projects (projects less than $1million, or $2 million for higher education institutions). These projects shall be identified as "Subprojects" in the minor works (omnibus) request. A separate request must be submitted for "Preservation," "Program" and "Grant" projects. A Bond Fund Cash Flow Estimate is required for all preservation and program projects.

Minor works and grants less than $1 million (or less than $2 million for higher education institutions)

Grants and minor works projects must also include:

- list of subprojects (applicable to grants if list is available)
- city and legislative district of each subproject
- project type (e.g., health, safety or infrastructure)

Stand-alone projects more than $1 million (or more than $2 million for higher education institutions)

Each project also must include:

Capital Project Cost Estimate report (CBS003). This report is created in CBS.

Also see requirements in the Predesign Manual: http://www.ofm.wa.gov/budget/instructions/predesign/predesign.asp.

NEW! The new C-100 (2014) is also available for cost estimating work done outside of CBS. This Excel form aligns with the estimating functions in CBS, but does not supersede the requirement for submittal of report CBS002 with all capital project requests.

The new C-100 (2014) can be found at http://www.ofm.wa.gov/budget/forms.asp.

Major capital projects more than $5 million ($10 million for higher education projects)

Each project that is more than $5 million ($10 million for higher education projects) also must include:

- Confirmation that the predesign has been approved by OFM (as required), if design funding or design <u>and</u> construction funding are requested.
- Also see the Predesign Manual for requirements if predesign funding is requested.

1.4   WHAT ARE THE SUBMITTAL REQUIREMENTS?

When is the budget due to OFM?

Agencies must submit budget data electronically and in paper format (eight copies) to OFM by the due dates outlined in Appendix A-1 of the Operating Budget Instructions.

Additional reporting requirements for higher education institutions

Per RCW 28B.77.070 , two- and four-year institutions of higher education must submit capital budget outlines to OFM by August 15 that include a description of each capital project and the amount and fund source being requested. Additionally, the two-year institutions shall include the State Board of Community and Technical Colleges' prioritized ranking of the capital projects. The four-year institutions will include the institutions' priority ranking and the capital budget category within which the project was submitted to OFM in accordance with RCW 43.88D.010. These reports were previously submitted to the Higher Education Coordinating Board that no longer exists.

What are the required components of the budget submittal?

The following chart shows how required components of the budget submittal should be organized in the notebooks submitted to OFM. For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090 and 43.88.120.

Guide to organizing the required ten-year plan submittal components:

TAB A	❑ Ten-Year Plan Summary Information ❑ Ten-Year Capital Program Summary - CBS report *(Appendix B)* ❑ DAHP Review Letter and Exempt Project List *(Chapter 1.3)* ❑ Greenhouse Gas & Vehicle Emissions Reduction Policy *(Chapter 1.3)* ❑ FTE Summary – Narrative and FTE Details *(Chapter 5)* ❑ Final Project Close-out Cost Report *(Chapter 1.3)*

TAB B All Preservation Projects	❑ Capital Project Request (CBS002) – CBS report *(Chapter 2.4)* ❑ Bond Fund and Cash Flow Estimates – For bond or cash projects, if applicable, for required agencies. *(Chapter 2.5)* ❑ Use of Bond Funds or Certificate of Participation (COP) – For bond or COP projects, if applicable, for required agencies. *(Chapter 4.3)*

	❑ Sub-Project List for each minor works project – If a minor works project is included in CBS002. *(Chapter 2.7)*
	❑ Backlog Reduction Plan *(Chapter 3.1)*
	❑ Capital Project Cost Estimate (CBS003) – Stand-alone projects between $1 million and $5 million and higher education projects between $2 million and $5 million *(Chapter 2.6)*
	❑ Predesign Study – Major capital projects more than $5 million ($10 million for higher education projects) *(Chapter 2.6)* (If requesting funds for the design or construction phase. *Must be received by OFM by July 1.*)
	❑ Operating Budget Decision packages – For projects using alternative financing only. *(Chapter 2.6)* Must be received by OFM prior to August.

TAB C **All** **Programmatic** **Projects**	❑ Capital Project Request (CBS 002) *CBS report (Chapter 2.4)*
	❑ Bond Fund and Cash Flow Estimates – For bond or cash projects, if applicable, for required agencies. *(Chapter 2.5)*
	❑ Use of Bond Funds or Certificate of Participation (COP) – For bond or COP projects, if applicable, for required agencies. *(Chapter 4.3)*
	❑ Subproject List for each minor works project – If a minor works project is included in CBS 002. *(Chapter 2.7)*
	❑ Required Additional Information for Land Acquisitions *(Chapter 2.8)*
	❑ Capital Project Cost Estimate (CBS 003) – For stand-alone projects between $1 million and $5 million and higher education projects between $2 million and $5 million. *(Chapter 2.6)*
	❑ Comprehensive Financing Plan – Stand-alone projects between $1 million and $5 million and higher education projects between $2 million and $5 million. (For projects using alternative financing only.) *(Chapter 2.6)*
	❑ Simplified Predesign Study – Stand-alone projects between $1 million and $5 million and higher education projects between $2 million and $10 million. *(Chapter 2.6)*.
	❑ Predesign Study – Major capital projects more than $5 million, and higher education projects more than $10 million. *(Chapter 2.6)* (If requesting funds for the design or construction phase. *Must be received by OFM by July 1.*)
	❑ Growth management questions, if applicable *(Chapter 6.1)*

TAB D **Grant Projects**	❑ Capital Project Request (CBS 002) – *CBS report (Chapter 2.4)*
	❑ Project List for each grant – Now included in CBS 002 if projects are known prior to submittal. *(Chapter 1.3)*

In certain cases, an operating budget decision package must also be submitted for 2015-17 operating budget costs associated with a project. (See Chapter 2.3)

Use the Capital Budgeting System (CBS) for developing budget proposals

The CBS serves as a tool for budget development and electronic budget submittal. The reporting feature of CBS provides most of the documentation needed for the electronic and paper submittal. Additional information that agencies would like to submit can be included as an attachment to a project in CBS.

CBS is available on two websites. For users with access to the state government network, the address is http://BASS.ofm.wa.gov/BASSLOGON_PR/. If you cannot access this site or you do not have access to the state government network, use https://fortress.wa.gov/ofm/bass/BASSLogon_pr/logon.aspx.

For questions about CBS or to obtain authorization for CBS, contact the DES Solutions Center at 360-407-9100 or solutionscenter@des.wa.gov.

Electronic submittal through CBS

Each agency must submit **eight complete paper copies** of its capital budget document to OFM. Five copies are retained by OFM, and the remaining three are sent to the Senate Ways and Means Committee, House Capital Budget Committee, and House Appropriations Committee. Capital budget documents must be submitted in a separate binder than the operating budget documents.

All of the required documents must also be submitted electronically through CBS. Additional information can be included as electronic attachments in the system. If agencies must resubmit their capital plans to correct an error, they must resubmit paper and CBS data.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all materials and assemble each copy in a standard size notebook.
- Organize and tab the materials as shown above.

What is the submittal address?

Office of Financial Management
Insurance Building
302 Sid Snyder Avenue S.W.
PO Box 43113
Olympia, WA 98504-3113

1.5   OTHER GENERAL PREPARATION REQUIREMENTS

Required fund code conventions for budget documents

Use codes listed in the State Administrative and Accounting Manual (http://ofm.wa.gov/fund/default.asp) for accounts, programs, appropriation types and other identifiers. Account codes require both the account number and the appropriation type code that indicates the source character of the funds involved. There is one exception: use "COP" as the account code for projects using certificate of participation financing.

Project numbers and titles must not be changed

Once established in the budget, project numbers (identifiers) and project titles must **NOT** be changed during the life of the project. Project numbers serve as the unique identifier of the project and will be used for project monitoring and comparisons throughout the life of the project. Project numbers will be automatically generated in CBS.

If the agency needs to request a reappropriation or new appropriation for a project, CBS allows the project to be copied to the next biennium.

1.6   OFM CAPITAL BUDGET STAFF CONTACTS

If you have questions about these instructions or specific capital budget requests, contact your agency's assigned capital budget analyst.

1.7   OTHER CONTACTS

Capital Budgeting System (CBS)	**DES Solutions Center** 360-407-9100 solutionscenter@des.wa.gov
Growth Management Act compliance and local government contacts	**David Andersen**, Department of Commerce 509-434-4491 dave.andersen@commerce.wa.gov
Bond fund cash flow plans	**Wendy Weeks**, Office of the State Treasurer 360-902-9020 wendy.weeks@tre.wa.gov
Certificates of participation	**Wendy Kancianich**, Office of the State Treasurer 360-902-9022 wendy.kancianich@tre.wa.gov
Archaeological and cultural resources	**Allyson Brooks**, Department of Archaeology and Historic Preservation 360-586-3066 allyson.brooks@dahp.wa.gov
Building Commissioning, Energy Services, and LEED™	**Engineering and Architectural Services**, Department of Enterprise Services 360-902-7272 http://des.wa.gov/services/facilities/Energy/Pages/default.aspx
Additional copies of Capital Budget Instructions	OFM website at: http://www.ofm.wa.gov/budget/instructions/capital.asp