
HOUSE BILL 2353

State of Washington

69th Legislature

2026 Regular Session

By Representatives Keaton, Leavitt, Klicker, Zahn, and Jacobsen

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1 AN ACT Relating to predesign thresholds; amending RCW 43.88.110,
2 43.82.035, and 43.88.0301; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that construction
5 costs have increased rapidly in recent years, while the state's cost
6 threshold for predesign of capital facilities has remained constant
7 since 2021. Therefore, to improve governmental efficiency, the
8 legislature intends to update the cost threshold for predesign
9 requirements to better align with the current costs of construction.
10 Further, the legislature also intends to address future construction
11 cost changes by adding an inflation adjustment factor to the
12 predesign cost threshold.

13 **Sec. 2.** RCW 43.88.110 and 2021 c 54 s 2 are each amended to read
14 as follows:

15 This section sets forth the expenditure programs and the
16 allotment and reserve procedures to be followed by the executive
17 branch for public funds.

18 (1) Allotments of an appropriation for any fiscal period shall
19 conform to the terms, limits, or conditions of the appropriation.

1 (2) The director of financial management shall provide all
2 agencies with a complete set of operating and capital instructions
3 for preparing a statement of proposed expenditures at least thirty
4 days before the beginning of a fiscal period. The set of instructions
5 need not include specific appropriation amounts for the agency.

6 (3) Within forty-five days after the beginning of the fiscal
7 period or within forty-five days after the governor signs the omnibus
8 biennial appropriations act, whichever is later, all agencies shall
9 submit to the governor a statement of proposed expenditures at such
10 times and in such form as may be required by the governor.

11 (4) The office of financial management shall develop a method for
12 monitoring capital appropriations and expenditures that will capture
13 at least the following elements:

14 (a) Appropriations made for capital projects including
15 transportation projects;

16 (b) Estimates of total project costs including past, current,
17 ensuing, and future biennial costs;

18 (c) Comparisons of actual costs to estimated costs;

19 (d) Comparisons of estimated construction start and completion
20 dates with actual dates;

21 (e) Documentation of fund shifts between projects.

22 This data may be incorporated into the existing accounting system
23 or into a separate project management system, as deemed appropriate
24 by the office of financial management.

25 (5) (a) Except as provided for under subsection (6) of this
26 section, the office of financial management, prior to approving
27 allotments for major capital construction projects valued over (~~ten~~
28 ~~million—dollars~~) \$15,000,000, shall institute procedures for
29 reviewing such projects at the predesign stage that will reduce long-
30 term costs and increase facility efficiency. The procedures shall
31 include, but not be limited to, the following elements:

32 (~~(a)~~) (i) Evaluation of facility program requirements and
33 consistency with long-range plans;

34 (~~(b)~~) (ii) Utilization of a system of cost, quality, and
35 performance standards to compare major capital construction projects;
36 and

37 (~~(c)~~) (iii) A requirement to incorporate value-engineering
38 analysis and constructability review into the project schedule.

1 (b) Beginning July 1, 2027, the office of financial management
2 shall adjust the \$15,000,000 cost threshold in (a) of this subsection
3 (5) annually to reflect the C-100 form's inflation factor.

4 (6) The office of financial management may make an exception to
5 some or all of the predesign requirements in subsection (5) of this
6 section. The office of financial management shall report any
7 exception to the fiscal committees of the legislature and include:
8 (a) A description of the major capital project for which the
9 predesign waiver is made; (b) an explanation of the reason for the
10 waiver; and (c) a rough order of magnitude cost estimate for the
11 project's design and construction.

12 (7) In deliberations related to submitting an exception under
13 subsection (6) of this section, the office of financial management
14 shall consider the following factors:

15 (a) Whether there is any determination to be made regarding the
16 site of the project;

17 (b) Whether there is any determination to be made regarding
18 whether the project will involve renovation, new construction, or
19 both;

20 (c) Whether, within six years of submitting the request for
21 funding, the agency has completed, or initiated the construction of,
22 a substantially similar project;

23 (d) Whether there is any anticipated change to the project's
24 program or the services to be delivered at the facility;

25 (e) Whether the requesting agency indicates that the project may
26 not require some or all of the requirements in subsection (5) of this
27 section due to a lack of complexity; and

28 (f) Whether any other factors related to project complexity or
29 risk, as determined by the office of financial management, could
30 reduce the need for, or scope of, a predesign.

31 (8) If under subsection (6) of this section, some or all of the
32 predesign requirements under subsection (5) of this section are
33 waived, the office of financial management may instead propose a
34 professional project cost estimate instead of a request for predesign
35 funding.

36 (9) No expenditure may be incurred or obligation entered into for
37 such major capital construction projects including, without
38 exception, land acquisition, site development, predesign, design,
39 construction, and equipment acquisition and installation, until the
40 allotment of the funds to be expended has been approved by the office

1 of financial management. This limitation does not prohibit the
2 continuation of expenditures and obligations into the succeeding
3 biennium for projects for which allotments have been approved in the
4 immediate prior biennium.

5 (10) If at any time during the fiscal period the governor
6 projects a cash deficit in a particular fund or account as defined by
7 RCW 43.88.050, the governor shall make across-the-board reductions in
8 allotments for that particular fund or account so as to prevent a
9 cash deficit, unless the legislature has directed the liquidation of
10 the cash deficit over one or more fiscal periods. Except for the
11 legislative and judicial branches and other agencies headed by
12 elective officials, the governor shall review the statement of
13 proposed operating expenditures for reasonableness and conformance
14 with legislative intent. The governor may request corrections of
15 proposed allotments submitted by the legislative and judicial
16 branches and agencies headed by elective officials if those proposed
17 allotments contain significant technical errors. Once the governor
18 approves the proposed allotments, further revisions may at the
19 request of the office of financial management or upon the agency's
20 initiative be made on a quarterly basis and must be accompanied by an
21 explanation of the reasons for significant changes. However, changes
22 in appropriation level authorized by the legislature, changes
23 required by across-the-board reductions mandated by the governor,
24 changes caused by executive increases to spending authority, and
25 changes caused by executive decreases to spending authority for
26 failure to comply with the provisions of chapter 36.70A RCW may
27 require additional revisions. Revisions shall not be made
28 retroactively. However, the governor may assign to a reserve status
29 any portion of an agency appropriation withheld as part of across-
30 the-board reductions made by the governor and any portion of an
31 agency appropriation conditioned on a contingent event by the
32 appropriations act. The governor may remove these amounts from
33 reserve status if the across-the-board reductions are subsequently
34 modified or if the contingent event occurs. The director of financial
35 management shall enter approved statements of proposed expenditures
36 into the state budgeting, accounting, and reporting system within
37 forty-five days after receipt of the proposed statements from the
38 agencies. If an agency or the director of financial management is
39 unable to meet these requirements, the director of financial

1 management shall provide a timely explanation in writing to the
2 legislative fiscal committees.

3 (11) It is expressly provided that all agencies shall be required
4 to maintain accounting records and to report thereon in the manner
5 prescribed in this chapter and under the regulations issued pursuant
6 to this chapter. Within ninety days of the end of the fiscal year,
7 all agencies shall submit to the director of financial management
8 their final adjustments to close their books for the fiscal year.
9 Prior to submitting fiscal data, written or oral, to committees of
10 the legislature, it is the responsibility of the agency submitting
11 the data to reconcile it with the budget and accounting data reported
12 by the agency to the director of financial management.

13 (12) The director of financial management may exempt certain
14 public funds from the allotment controls established under this
15 chapter if it is not practical or necessary to allot the funds.
16 Allotment control exemptions expire at the end of the fiscal biennium
17 for which they are granted. The director of financial management
18 shall report any exemptions granted under this subsection to the
19 legislative fiscal committees.

20 **Sec. 3.** RCW 43.82.035 and 2021 c 54 s 3 are each amended to read
21 as follows:

22 (1) The office of financial management shall design and implement
23 a modified predesign process for any space request to lease,
24 purchase, or build facilities that involve (a) the housing of new
25 state programs, (b) a major expansion of existing state programs, or
26 (c) the relocation of state agency programs. This includes the
27 consolidation of multiple state agency tenants into one facility. The
28 office of financial management shall define facilities that meet the
29 criteria described in (a) and (b) of this subsection.

30 (2) State agencies shall submit modified predesigns to the office
31 of financial management and the legislature. Modified predesigns must
32 include a problem statement, an analysis of alternatives to address
33 programmatic and space requirements, proposed locations, and a
34 financial assessment. For proposed projects of twenty thousand gross
35 square feet or less, the agency may provide a cost-benefit analysis,
36 rather than a life-cycle cost analysis, as determined by the office
37 of financial management.

38 (3) Projects that meet the capital requirements for predesign on
39 major ~~((facility))~~ capital construction projects ~~((with an estimated~~

1 ~~project cost of 10 million dollars or more))~~ pursuant to ((chapter
2 ~~43.88))~~ RCW 43.88.110 shall not be required to prepare a modified
3 predesign.

4 (4) The office of financial management shall require state
5 agencies to identify plans for major leased facilities as part of the
6 ten-year capital budget plan. State agencies shall not enter into new
7 or renewed leases of more than one million dollars per year unless
8 such leases have been approved by the office of financial management
9 except when the need for the lease is due to an unanticipated
10 emergency. The regular termination date on an existing lease does not
11 constitute an emergency. The department of enterprise services shall
12 notify the office of financial management and the appropriate
13 legislative fiscal committees if an emergency situation arises.

14 (5) For project proposals in which there are estimates of
15 operational savings, the office of financial management shall require
16 the agency or agencies involved to provide details including but not
17 limited to fund sources and timelines.

18 **Sec. 4.** RCW 43.88.0301 and 2024 c 344 s 7 are each amended to
19 read as follows:

20 (1) The office of financial management must include in its
21 capital budget instructions a request for "yes" or "no" answers for
22 the following additional informational questions from capital budget
23 applicants for all proposed major capital construction projects
24 valued over ((~~\$10,000,000~~)) \$15,000,000, adjusted annually for the
25 C-100 form's inflation factor beginning July 1, 2027, and required to
26 complete a predesign:

27 (a) For proposed capital projects identified in this subsection
28 that are located in or serving city or county planning under RCW
29 36.70A.040:

30 (i) Whether the proposed capital project is identified in the
31 host city or county comprehensive plan, including the capital
32 facility plan, and implementing rules adopted under chapter 36.70A
33 RCW;

34 (ii) Whether the proposed capital project is located within an
35 adopted urban growth area:

36 (A) If at all located within an adopted urban growth area
37 boundary, whether a project facilitates, accommodates, or attracts
38 planned population and employment growth;

1 (B) If at all located outside an urban growth area boundary,
2 whether the proposed capital project may create pressures for
3 additional development;

4 (b) For proposed capital projects identified in this subsection
5 that are requesting state funding:

6 (i) Whether there was regional coordination during project
7 development;

8 (ii) Whether local and additional funds were leveraged;

9 (iii) Whether environmental outcomes and the reduction of adverse
10 environmental impacts were examined.

11 (2) For projects subject to subsection (1) of this section, the
12 office of financial management shall request the required information
13 be provided during the predesign process of major capital
14 construction projects to reduce long-term costs and increase process
15 efficiency.

16 (3) The office of financial management, in fulfilling its duties
17 under RCW 43.88.030(6) to create a capital budget document, must take
18 into account information gathered under subsections (1) and (2) of
19 this section in an effort to promote state capital facility
20 expenditures that minimize unplanned or uncoordinated infrastructure
21 and development costs, support economic and quality of life benefits
22 for existing communities, and support local government planning
23 efforts.

24 (4) The office of community development must provide staff
25 support to the office of financial management and affected capital
26 budget applicants to help collect data required by subsections (1)
27 and (2) of this section.

28 (5) The office of financial management must include in its
29 capital budget instructions, beginning with the instructions for the
30 2025-2027 biennium, information informing awarding authorities, as
31 defined in RCW 39.116.010, of the requirements of chapter 39.116 RCW,
32 including the data and information requirements in RCW 39.116.020.

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