



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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March 12, 2015

TO: Honorable Judy Clibborn
Honorable Ed Orcutt
House Transportation Committee

Honorable Curtis King
Honorable Steve Hobbs
Senate Transportation Committee

FROM: David Schumacher
Director

SUBJECT: 2015 SUPPLEMENTAL TRANSPORTATION BUDGET ADJUSTMENTS

The Department of Transportation (WSDOT) has recently alerted my office of needed adjustments to the Governor's proposed 2015 supplemental budget for which I respectfully request consideration during your deliberations.

NEW INFORMATION

Renew and Replacement (R&R) Timing: The updated R&R plan for the Tacoma Narrows Bridge contains a shift in the timing of R&R expenditures. WSDOT requests an increase in appropriation authority of \$732,000 in fiscal year 2015, with a corresponding reduction of \$732,000 in R&R funding for fiscal year 2016 requested in the Governor's budget.

Alaskan Way Viaduct Fund Shift: IRS rules require that bond proceeds be spent within 18 months of the sale of bonds. To align already issued bonds with expenditures on the project, a shift of \$41.0 million from Transportation Partnership Account (TPA) to Transportation 2003 (Nickel) Account is needed in the 2013-15 biennium. A corresponding change is needed in the 2015-17 biennium increasing TPA and decreasing Nickel in the amount of \$41.0 million.

SR-167 HOT Lanes: Toll collection on SR-167 HOT Lanes originated as a pilot project with authorization to collect tolls expiring on June 30, 2013. Toll collection authorization was subsequently extended to June 30, 2015. The original equipment purchased for the pilot project has not been updated or replaced, pending future decisions on continuation of the project. If the Legislature continues the authorization to collect SR 167 HOT tolls, \$200,000 is needed in the 2013-15 biennium and \$800,000 in the 2015-17 biennium from the HOT Lanes Operations Account for R&R of the aging equipment.

The Legislature also authorized a project to extend the SR-167 HOT lanes to the south into Pierce County. The extension project needs an additional \$2.0 million above the original estimate. We are requesting a shift of \$2.0 million in Transportation Partnership Account funding from the I-405 project to the SR-167 HOT Lane extension project in the 2015-17 biennium.

Sales Tax Obligation: The Department of Revenue (DOR) has determined that WSDOT had been incorrectly applying sales tax requirements to work performed on federal and tribal lands. WSDOT is now correctly applying the sales tax on projects on these lands in accordance with the DOR ruling. WSDOT and DOR have entered into a Memorandum of Understanding under which WSDOT will reimburse DOR for corrected taxes on applicable contracts since the time WSDOT corrected the error back to January 1, 2009. The resulting sales tax correction requires WSDOT to make a one-time payment of \$10.0 million in fiscal year 2015. WSDOT and OFM request an increase in the Improvement Program appropriation from the Transportation Partnership Account (\$7.6 million) and Motor Vehicle Account-State (\$2.4 million) in the 2015 supplemental transportation budget for this purpose.

Flexibility Language: We ask you to consider including the following transfer language to help the Department manage its operations budget at the end of the current biennium.

“The appropriations to the department of transportation in chapter XX, Laws of 2015 and this act must be expended for the programs and in the amounts specified in this act. However, after May 1, 2013, unless specifically prohibited, the department may transfer state appropriations for the 2013-2015 fiscal biennium among operating programs after approval by the director of the office of financial management. However, the department shall not transfer state moneys that are provided solely for a specific purpose. The department shall not transfer funds, and the director of the office of financial management shall not approve the transfer, unless the transfer is consistent with the objective of conserving, to the maximum extent possible, the expenditure of state funds and not federal funds. The director of the office of financial management shall notify the appropriate transportation committees of the legislature prior to approving any allotment modifications or transfers under this section.”

UPDATED INFORMATION

Tolling Adjudication: The Governor’s supplemental budget requested increases in toll adjudication costs for the Tacoma Narrows Bridge (\$1.291 million) and for SR-520 (\$135,000) for fiscal year 2015. Updated information indicates these costs for the current fiscal year will increase to \$1.5 million for Tacoma Narrows Bridge and \$450,000 for SR-520. WSDOT estimates it will run out of current authorized appropriation authority for tolling adjudication in mid May 2015.

REMINDER

Emergency Ferry Repairs: WSDOT is seeking an additional \$2.065 million in a supplemental decision package request (Package M2-WE). This would bring the appropriation level to \$7 million for emergency repairs. WSDOT has already spent the initial appropriation of \$4.935 million. Additional requests for emergency repair funding above the initial appropriation have totaled \$1.373 million to date. This additional funding has come from donor projects with unrestricted appropriation authority. If the request for additional authority is approved, WSDOT will return the appropriation authorities to the donor projects so these projects can proceed as intended. If the agency request to increase spending authority for emergency ferry repair costs is not enacted, spending authority will not be returned to donor projects and WSDOT will make project programming adjustments.

Thank you for your consideration. Please contact my staff or me if you have any questions or concerns. I look forward to further discussions as the Legislature works toward a final budget.

cc: Kelly Simpson/David Ward, Senate Transportation Committee
Mark Matteson/Amy Skei, House Transportation Committee
Doug Vaughn, WSDOT