



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

April 4, 2019

Honorable Steve Hobbs, Chair
Honorable Curtis King, Ranking Member
Senate Transportation Committee
P.O. Box 40482
Olympia, WA 98504-0482

Honorable Jake Fey, Chair
Honorable Andrew Barkis, Ranking Member
House Transportation Committee
P.O. Box 40600
Olympia, WA 98504-0600

Dear Senators Hobbs and King and Representatives Fey and Barkis:

Thank you for your efforts on your respective 2019-21 transportation budgets. We appreciate your support of several initiatives in the Governor's proposed budget, including efforts to meet the fish barrier court injunction, the beginning of funding for new ferries, and technology upgrades in the Washington State Patrol.

OFM continues to work with your staff on technical and policy issues identified by agencies, our staff and others. As you continue your deliberations, we respectfully raise the following concerns with the Senate and House budgets for your consideration.

Washington State Department of Transportation (WSDOT)

Fish barriers. To meet the recent federal court injunction in the *U.S. v. Washington* case, WSDOT has determined that it needs to spend \$275 million in the 2019-21 biennium and ramp up considerably in subsequent biennia. The Governor believes the state must fully comply with the injunction by the required deadline. The Senate provides \$275 million funded with new revenues, and the House provides \$214 million for the biennium. We strongly urge the Legislature to fund the full \$275 million in the 2019-21 biennium as the first step toward meeting our long-term obligation. These projects are achievable in 2019-21. Delays will make meeting the deadline of the injunction increasingly difficult and increase the risk of additional court intervention. Further, a long-term plan for future biennia funding is needed this session.

New and converted hybrid electric ferries. The House budget provides funding for conversion of two ferries to hybrid-electric during their mid-life overhaul in the upcoming biennium, as well as funding for one new hybrid-electric ferry in the upcoming biennium. The Senate provides for the conversion of one hybrid-electric ferry in 2019-21 and funding for a new hybrid-electric ferry beginning in the 2023-25 biennium. The ferry fleet is rapidly being depleted by aging vessels requiring much maintenance. OFM strongly urges conversion of two vessels to hybrid-electric and the funding of one new hybrid-electric

vessel in the 2019-21 budget and a second in the 2021-23 budget. Failure to do so could require WSDOT to reduce service levels due to lack of available vessels.

Washington State Ferries (WSF) operating. The House and Senate proposed budgets do not include \$6.038 million to maintain the MV Hyak as a service relief vessel. Additionally, neither budget contains full funding for staffing of vessels (\$7.591 million) and training needs of employees (\$3.934 million). Funding for the MV Hyak and the staffing of vessels are needed to maintain current levels of service. We respectfully request the final budget include full funding of these items. Otherwise, WSF may have to reduce service.

I-5 Washington/Oregon bridge. The Governor's budget proposes a \$17.5 million investment for the 2019-21 biennium to restart the effort to replace the I-5 bridge between Washington and Oregon. The House and Senate budgets fund half that amount. Federal law requires federal expenditures previously made on projects to be repaid if the project does not move into the construction phase within a 10-year period of the initial federal expenditures. The 10-year timeframe on this project is up this September.

The Governor's proposed funding moves the bridge replacement project forward by reevaluating the environmental impact statement and re-engaging stakeholders on a timeline we believe would show a good faith effort toward getting the project constructed. Reducing the investment by half would delay the effort and potentially require the repayment of \$54 million in federal funds already spent on project development costs. We encourage you to fund the project at the recommended level to reduce the likelihood of repayment and help secure the commitment of the State of Oregon and the federal government in moving the project forward.

In addition, the Senate requires additional study of governance structures for other bridges over the Columbia River between Washington and Oregon. This cannot be done with the funds appropriated. The House budget places the majority of the funds in unallotted status until WSDOT's final spending plan is approved by the Legislature. OFM believes the proposed progress report due on September 30, 2019 will inform the Legislature of the work that is being accomplished.

Toll authorization. While not a specific budget provision, OFM would like to stress that toll authorization on the Bellevue to Renton portion of I-405, the Puget Sound Gateway project, and the SR 167 hot lanes is critical this session. Without toll authorization, the I-405 project will need to be paused and the Puget Sound Gateway project will be delayed.

Worker safety. The Senate budget provides full funding for the Governor's proposed worker safety packages. The House budget proposes approximately \$1.5 million less over three program areas. The staff and equipment requested are needed to ensure that WSDOT employees are safe in performing their work and for required regulations to be met. Any shortfall in worker safety funding will result in lower service levels as WSDOT has to fund these items. OFM requests the final budget include full funding for worker safety issues.

Furniture and computers for Dayton Avenue building. The House and Senate budgets provided \$1.991 million and \$2.639 million, respectively, compared to the \$3.925 million in the Governor's budget, for furniture and computer costs for the Dayton Avenue building that is undergoing renovation. Employees will not have enough workstations and laptops to optimize the mobile work environment that is being built if these items are not fully funded. The House proviso directing WSDOT to spend only \$1.565 million on furniture will not allow it to shrink its footprint enough for the Department of Ecology to have the space to move in. The funding is needed to make this collaborative project a success.

Electric vehicle infrastructure. The Senate does not include funding for electric highway infrastructure while the proposed Governor and House budgets provide \$2 million. Electric vehicle infrastructure funding is needed to strengthen and expand the existing network of fast-charging stations for electric vehicles along Washington highways. We respectfully request inclusion of \$2 million in the final budget.

Ultra-high speed rail. The proposed Governor and Senate budgets provide \$3.250 million for ultra-high speed rail. The proposed House budget provides \$895,000. The House and Senate budgets have restrictions and requirements for the use of funds that would not allow the project to go forward and be successful. We respectfully request full funding in the final budget and removal of the restrictions and requirements for use of the funding.

I-5 corridor scenario analysis. The Senate budget provided funding for the comprehensive analysis of I-5 from Tumwater to Marysville. The House budget did not provide funding for this item. Work is already underway and would be stopped if this is not funded.

SR 14/Bingen Overpass. The proposed Senate budget provides \$17.785 million for the SR 14/Bingen Overpass project, consistent with the February update provided by WSDOT. The proposed House budget provides \$14.685 million. To keep the project on schedule, we respectfully request the final budget include the full \$17.785 million for this project.

SR 99 tunnel. The proposed Governor and House budgets provide \$188.6 million for completion of the Alaskan Way Viaduct replacement project. The proposed Senate budget provides \$180.6 million for the project. As project completion is at risk without the additional funding, we respectfully request inclusion of the full \$188.6 million in the final budget.

I-405 toll equipment R&R. The Governor and Senate proposed \$2.4 million for I-405 toll equipment repair and replacement (R&R). The House did not fund the request. Funding is needed for network equipment that is on a standardized refresh cycle, and the toll system network security is at risk without funding. We request the inclusion of \$2.4 million in the final budget.

Seattle terminal preservation. The Governor and Senate proposed \$468.4 million for this project. The House proposed \$455.4 million for the project and does not include risk funding of \$13.0 million. Some of the \$13.0 million risk has been realized already by the project. OFM requests full funding for this project in the final budget.

Mukilteo terminal preservation. The Senate budget proposal includes \$195.5 million for this project. The proposed House budget includes \$187.3 million for the project and does not include risk funding of \$8.2 million. There is one final contract to go to bid on this project. With the recent experience of having received higher bids and the overall construction bidding climate in Washington, the risk funding is needed to ensure project completion. OFM requests full funding for this project in the final budget.

Labor system replacement. The proposed Governor and Senate budgets provide \$11.7 million for the labor system replacement project in the ferry system. The proposed House budget provides \$6.6 million for the project. WSDOT will be unable to successfully deploy DOTtime to the fleet and terminals at this funding level. We respectfully request inclusion of the full \$11.7 million in the final budget.

Ferry dispatch system. The Governor proposed \$14.4 million for the ferry dispatch system, which is important to ensure ferry employees are dispatched according to collective bargaining and Coast Guard rules in the most efficient manner possible. The House and Senate proposed \$4.4 million.

Responsiveness. The House and Senate budgets lack sufficient language to provide WSDOT the ability to effectively manage and deliver its capital programs. The continued restrictive language included in the proposals prevent WSDOT from responding in a timely manner to situations that may develop during delivery of the program and will ultimately result in an ineffective use of the funding provided and the ability to use all of the funding during the biennium. The absence of relief to ease existing restrictions and limitations on WSDOT's ability to respond to unanticipated issues and deliver its capital programs efficiently will likely result in slower progress and increasingly larger re-appropriations across biennial lines. Specifically, WSDOT needs the ability to allow design-build project cash flow to support innovative delivery approaches initiated by the contractor, handle unforeseen unfavorable contract bid opening circumstances outside of the legislative session, and allow for movement of funding between program areas to continue momentum of project delivery in areas where unforeseen external issues preclude delivery on legislatively identified timelines. We encourage you to adopt language from the Governor's budget that would allow WSDOT to better manage its capital programs to meet the fullest extent of legislative policy expectations.

Department of Licensing (DOL)

LSO staffing reduction. The House and Senate budgets reduced DOL staff who issue enhanced drivers' licenses by \$26.316 million. The Governor's budget reduced staff by \$15.3 million after working closely with DOL to ensure flexibility for projected EDL demand. The reduction proposed by the House and Senate may decrease or eliminate expanded days/hours that have been put into place, and likely will not give DOL the lead time to fully staff the expected increase in demand in the summer and fall of 2020.

Data stewardship and privacy. The House budget funded this item at \$2.363 million and did not provide the ability to hire data stewards. The Senate funded it at \$3.690 million. DOL requires the ability to hire data stewards to move forward with the request. OFM recommends providing the \$4.446 million that was included in the Governor's budget to allow the agency to hire the data stewards.

Legacy maintenance phase out. The House and Senate budgets reduced the agency's IT budget by \$3.3 million as a result of the new DRIVES system coming online. However, DOL is still conducting stabilization activities related to the new DRIVES system and has not yet decommissioned all legacy systems. It needs more time to ensure staff have adequate knowledge of the new systems to realize efficiencies. While it expects efficiencies in the future, this reduction is coming too soon.

Six-year facility plan and minor works. House and Senate budgets did not fund these items. DOL worked closely with OFM to develop its six-year facility plans and this request was in line with DOL's latest plan. DOL will not be able to carry out planned moves on expiring leases if this request is not funded. It also has several owned facilities with minor maintenance work that needs to be completed. Money is not available in the base budget for these activities.

Fund sustainability. The Senate budget used alternate fund growth rates to support long-term fund realignments related to the DOL Services Account (Fund 201), License Plate Technology Account (Fund 06T), and Ignition Interlock Device Revolving Account (Fund 14V). OFM recommends using the official Transportation Revenue Forecast Council revenue forecast and using smaller one-time transfers where appropriate to preserve the long-term health of these funds.

Washington State Patrol (WSP)

Vacancy savings. OFM agrees WSP has some savings due to vacancies; however, we believe the size of the cut in the Senate and House budgets will make it difficult to fill these positions. Anticipated trooper and non-field force vacancies assumes WSP will not hire 70 troopers and 25 civil service

vacancies per year. Cutting trooper positions will impact WSP's ability to keep Washington's roadways safe and efficient by reducing its ability to enforce traffic laws, investigate collisions and assist motorists. Reducing civil service positions will impact WSP's ability to keep dangerous commercial vehicles off the road, provide assistance with criminal investigations, decrease flight hours for traffic control support, and reduce support for critical computer and electronic systems. The Senate captures these savings as ongoing while the House captures one-time savings. Ongoing reductions at this level will require WSP to reduce services.

Pension funding adjustment. The Senate budget proposes "smoothing" the Washington State Patrol pension contributions. This is not a best practice in pension funding. In a small pension system, rates can be volatile, and the actual rates in future biennia could differ significantly from their current projection. OFM recommends funding at the current projected rates.

Washington State Patrol (Supplemental). The combined \$18.3 million in reductions for vacancy savings in the State Patrol Highway Account (SPHA) may result in WSP overspending its allocation. The proposed reductions do not take into account the potential impacts of large debt service payments and end-of-biennium expenditures to reconcile spending on fuel, utilities, communications, consumable supplies inventories, and other invoices that post after the close of the fiscal year. OFM recommends limiting the reduction to \$11 million to ensure that the account remains positive at the end of the biennium.

Office of Financial Management (OFM)

Credit card cost recovery. The Senate budget provided \$300,000 for OFM to lead efforts of credit card cost recovery at DOL and WSDOT. RCW 43.88.160 states "The Treasurer shall coordinate agencies' acceptance and use of credit cards and other payment methods." However, OFM is tasked with researching and implementing cost recovery. The Treasurer's Office is aware of the available options available for cost recovery and it could be tasked with this facilitation at a lower cost.

ORCA pass administration. The House and Senate operating budgets would increase and transfer administration of the ORCA pass program for state agencies from WSDOT to OFM in order to fund the program by billing state agencies. This work is more efficiently conducted by WSDOT staff who have programmatic experience and expertise. We respectfully request the operating budget provisos for OFM be transferred to WSDOT in the transportation budget.

Thank you for your consideration. My staff and I are available to discuss these items in greater detail and we look forward to further collaboration as you work toward a final transportation budget.

Sincerely,



David Schumacher
Director

cc: Mark Matteson, Coordinator, House Transportation Committee
Kelly Simpson, Coordinator, Senate Transportation Committee
Jim Crawford, Assistant Director for Budget, OFM
Dean Carlson, Senior Budget Assistant, OFM
David Postman, Chief of Staff, Office of the Governor