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Agenda Item No. 11a_Attach_1
Meeting Date: May 23, 2023

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
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April 7, 2023
TO: Honorable Marko Liias
Honorable Curtis King
Senate Transportation Committee
Honorable Jake Fey
Honorable Andrew Barkis
House Transportation Committee
FROM: David Schumacher
Director

SUBJECT: OFM CONCERNS WITH HOUSE AND SENATE TRANSPORTATION BUDGETS

We have significant concerns with the House and Senate transportation budgets that we believe need to be addressed in your final compromise budget.

The House and Senate transportation budgets appear to fund many projects throughout the state. In reality, however, many of the projects are only partly funded or are aspirational. The capital project lists look robust, but the practical constraints of delivering the projects and the unrealistic financial plan is a set-up for failure and disappointment.

When we met in December, we agreed that a \$7 billion capital plan was too large. The Governor's budget reprioritized projects due to declining revenues, increasing costs and constraints on contractor capacity. It also set expectations more in line with realistic construction delivery timelines. We need the Legislature to similarly lay out priorities given these financial and delivery constraints.

The legislative budgets not only ignore the reality of project delivery, but they also fall short of addressing the significant maintenance and preservation needs throughout our state and the ongoing need to keep drivers safe with adequate patrolling. Both budgets diminish the ability of the Washington State Patrol to enforce roadway safety and respond to accidents that close roadways. The budgets also reduce Department of Licensing staff who provide services such as renewal of driver's licenses and other essential needs, which will hinder the department's ability to minimize wait times.

Capital project completion

The House and Senate transportation capital budget construction timelines and financial plans are not feasible. Both budgets appropriate amounts in the 2023-25 biennium that are not sustainable over the timeline of project construction. Historically, the Department of Transportation can deliver an average of a little over \$3 billion each biennium. Both budgets assume over \$7 billion will be constructed during the biennium. An ambitious amount, \$5.7 billion, was appropriated in the Governor's capital plan. Even this exceeds the amount that the department has been able to deliver in the past. Project delivery is dependent upon several factors including the ability to recruit and hire a skilled workforce, contractors, and consultants, and to purchase equipment and supplies in a timely manner. Without prioritizing the capital list, the over-appropriation leads to unrealistic expectations for communities and would require the department to prioritize projects without legislative direction.

On the financial side, neither budgets balance in future biennia, which jeopardizes the ability of the state to continue partially completed projects without requiring new sources of funds as soon as next biennium. As

stated above, SB 5763 would make the Senate financial plan feasible but does not address the department's ability to complete the legislative expectations for delivery.

Public safety and other services

The State Patrol reductions would reduce the number of troopers patrolling our roads by reducing overtime. Because of the existing shortage of troopers, the State Patrol relies on vacancy savings to pay overtime to ensure a sufficient number of troopers are policing the state roadways.

Despite the budgets' support of a program to entice lateral recruitments (law enforcement transferring from local law enforcement to the State Patrol) by paying for compressed training for those with experience, they do not include the full funding needed for actual salaries and benefits for those who may want to join the State Patrol.

The budgets also cut other State Patrol positions that support crime scene detectives, overtime for communication officers for proper 911 center staffing levels, and others that are critical to the State Patrol's day-to-day operations. These reductions also remove State Patrol funding to handle emergent situations, such as official visits, natural disasters, or critical infrastructure failures. These cuts will impact the agency's ability to carry out its mission and protect the residents of Washington.

The licensing services reduction at the Department of Licensing will likely result in layoffs, part-time office

closures or reduced hours, and fewer driving skills tests that DOL can offer in multiple locations. The real-life impact will be longer wait times for services. In the second year of the biennium, the reduction will impact the agency's ability to fully implement REAL ID enforcement.

The Senate budget's staff reductions at the Department of Transportation will impact the department's ability to deliver the legislatively directed projects and programs in the budget.

Another major concern is that budget language poses legal risks by suggesting that agencies should hire staff beyond their appropriation authority. The law prohibits agencies from spending more than their authorized appropriation levels; therefore, agencies will not be able to achieve authorized staffing levels because of the vacancy cuts.

Maintaining and preserving the transportation system

House and Senate funding to preserve and maintain roadways is significantly lower than the Governor's budget.

The funding level for these purposes is also lower than the expectation set forth in the 2022 supplemental budget finance plan. Underfunding preservation and maintenance is inconsistent with the stated priority of the 2022 Move Ahead Washington 16-year transportation package. As you know, preservation was a cornerstone of the package.

Preservation is essential to prevent deterioration of the transportation system and decrease the future expense of deferred repairs. Postponing the work also poses safety hazards for travelers. The limited amount of preservation funding in both budgets would require the department to stop all advertisements for preservation work. This reduction in preservation is more significant in the House budget. This means new preservation will not start and will result in the deterioration of the multimodal system, indefinite deferral of the Complete Streets program (improving safety, mobility and accessibility of state highways), re-evaluation of speed limits and weight limits on bridges, and possible road, lane or bridge closures.

Additionally, the significant reduction in maintenance funding in the legislative budgets – and the House budget in particular – would impact the agency's ability to keep mountain passes open during winter storms, repair damages to highways, clean up litter and graffiti, and other critical activities needed to keep our roads and bridges open and travelers safe.

To advance cleanup of homeless encampments on public rights of way, the House and Senate appropriate an additional \$10.4 million. Although this is appreciated, other budget reductions within the maintenance program are so deep that the rights of way cleanup would also be reduced by cutting into the base budget.

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Ferries

Vessel construction and electrification

The ferry system is a vital part of Washington's transportation system that carries people to and from work and contributes to the state's tourism. Ensuring there are operational vessels and transforming those ferries to reduce greenhouse gas emissions is crucial to meeting the needs of the state.

The House and Senate budgets underfund the construction of five hybrid-electric ferry vessels. The first hybrid electric vessel would be underfunded by \$31 million. Both budgets link the first vessel construction funding to the ferry procurement bill (HB 1846). If the bill does not pass, ferry construction would be further delayed because the 2021-23 appropriation will have lapsed, and no funding would remain in the 2023-25 budget.

Able Body to Mate program

The Able Body (AB) to Mate program is key in helping ferry workers advance in their careers and in filling positions required to operate ferries. The Ferries Division must fill 107 licensed positions by 2027, and fully funding the AB to Mate program at \$12 million will help address that gap by training 96 crew members. The House and Senate budgets fund the AB to Mate program at \$8 million, which will only train 48 crew members.

Vehicle miles traveled

The 2021 State Energy Strategy identified vehicle miles traveled (VMT) reductions as a key strategy to reduce greenhouse gas emissions. Funding is needed to partner with local jurisdictions, regional transportation planning organizations, and other stakeholders to develop and implement VMT reductions. The House does not fully fund these efforts.

Tolling

The Senate budget directs the Department of Transportation to deploy new advanced technologies to collect tolls on the westbound State Route 520 on-ramp at 84th Avenue NE. Several of the provisos would establish a new tolling system that is separate from the existing GoodToGo! program, do not fund the new system, and set required timelines that are not achievable. There is also a legal concern that this could be considered substantive law in a budget bill. Despite being labelled a pilot program, tolling systems are longer term mechanisms that will last far beyond the two-year budget cycle. In the past, they have always been established in a separate policy bill. In addition, the provisos set specific rates in contradiction to existing law that establishes the Transportation Commission as the sole rate-setting authority for the state.

Local Partner Cooperative Agreement

The House budget includes three separate items aimed at addressing projects that are at risk of delay due to over appropriations.

- The Joint Transportation Committee is directed to convene a WSDOT local partnership workgroup to

create a procedure for the department to partner with local jurisdictions to perform preservation and maintenance and construction projects on state highways.

- WSDOT is directed to transfer three state projects to local jurisdictions.

- WSDOT is directed to produce a list of projects to transfer from the state to local jurisdictions.

Before transferring the three state projects to local jurisdictions or providing the list, the Joint Transportation Committee study to ensure policies and procedures necessary for the successful transfer should be completed.

In addition to the information provided in this memorandum, OFM budget staff will provide specific technical and other concerns.

cc: Kelly Simpson, Staff Coordinator, Senate Transportation Committee

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