

November 15, 2024

TO: Pat Sullivan, OFM Director

THRU: Roger Millar, WSDOT Secretary

FROM: Doug Vaughn, Principal Financial Officer

SUBJECT: Follow-up to November 8th OFM direction

Dear Pat Sullivan:

The department acknowledges and takes seriously the difficult budget environment that all of state government currently faces and was outlined in your November 8 memo. We want to work with you and your staff to inform the difficult decisions that lie ahead.

Recognizing the fiscal challenges in transportation, the budget request that the department put forward was constrained and consistent with the budget instructions provided to agencies last spring. At the start of WSDOT's budget development process, over 100 funding proposals totaling \$670 million were carefully reviewed for consideration. This process concluded in September, with the agency ultimately submitting only 36 prioritized items, resulting in a net increase of \$106 million over the previous biennium. Notably, majority of this funding is supported by dedicated accounts, federal funds, or reappropriations from the enacted 2023-25 biennial budget. Attached to our budget request was a summary of core items that the Legislature funded only as one-time investments in current and prior biennia. Given the constraints placed on this budget, these activities were not included in the department's fiscal request with its budget submittal. These are current service and delivery activities that will no longer be provided by the department next biennium if ongoing funding is not provided. This information has been reattached for your reference as it includes the impacts of not funding those items (Attachment A).

Recently, we have been collaborating with transportation committee leadership, the Governor's office and OFM to identify capital highway projects slated for advertisement between now and the end of the 2025 legislative session. Through these discussions, WSDOT seeks to achieve shared clarity and consensus on the feasibility of completing these projects, carefully considering the forecasted transportation revenues and their implications. We favor taking a holistic approach when considering any possible adjustments to the capital program.

Additionally, while we understand the OFM letter doesn't specifically direct agencies to act, WSDOT decided it was prudent to implement a hiring freeze on posting new jobs for recruitment unless they are approved through an internal executive review. We intend to limit hiring to positions essential for mission-critical functions to include winter maintenance, ferry

operations, fish passage, revenue generation, compliance with legal or regulatory mandates and roles funded by federal sources. In applying the exceptions above, our goal is to limit outward facing service level impacts as much as possible. As a result, effects will be more noticeable first in administrative functions like human resources, financial administration, planning, etc. and will slow the speed by which we can do work like facilitate existing recruitments, process payments, planning functions and the like. This will result in a decline and flattening in staffing levels over the remainder of fiscal year 2025 and it is a logical step for us to immediately slow spending.

We are also contemplating other expenditure restrictions, but these options are limited for some of our operating programs that were already dealing with budget reductions as a result of the legislative directed “vacancy savings”. Those budget cuts could have created significant challenges with winter operations were it not for your assistance to secure legislative support to ensure sufficient funding will be provided in the 2025 Supplemental Transportation Budget.

WSDOT recognizes the continued challenges presented by forecasted transportation revenues, which may fall short of meeting current and increasing demands. We are committed to working together to identify sustainable solutions that align with both immediate needs and long-term objectives.

Sincerely,

Doug Vaughn

[Doug Vaughn \(Nov 15, 2024 15:53 PST\)](#)

Doug Vaughn
Principal Financial Officer

Enclosures:
Attachment A – Unfunded Current Service Deliver Items

The Washington State Department of Transportation (WSDOT) understands the fiscal challenges the transportation budget faces in the 2025-27 biennium budget. Below are summaries of current service and delivery items that have ongoing increased needs but were not included in the agency's current law proposal. These items are crucial to the continued effectiveness and sustainability of our transportation system and provided for awareness of the impacts they have on the transportation system performance and condition.

Capital Facilities (Program D Operating & Capital)

- Clean Buildings Compliance – ongoing increased need of \$1.8 million for compliance with the Clean Buildings Performance Standards (Energy Use Reduction) (RCW 19.27A.210). Currently, WSDOT has approximately 20 buildings that are identified as either a "Tier 1 Covered Building" or a "Tier 2 Covered Building." If not funded WSDOT will either incur fines up to \$600,000 every compliance period (five years) or will reduce existing critical maintenance services to fund compliance requirements which will increase the risk of building closures.
Corson Avenue Maintenance Facility at 30% design is estimated at \$72 million.

Highway Maintenance & Operations (Program M)

- Encampment Cleanup & Site Restoration – \$3.5 million in funding was removed in 2025-27 carry-forward level. The total 2025-27 carry-forward level of \$5.5 million will not be sufficient to keep pace with the progress made in coordination with the Encampment Resolution Program. At this funding level, progress made on cleared sites will be lost.
- Striping Policy Compliance MUTCD Requirements – ongoing increased need of \$11.15 million for new retro reflectivity standards for highway striping. As of 2023, 42.94% of our system was considered deficient for current MUTCD retro reflectivity standards with higher standards going into effect in September 2026. This is a significant safety risk to the traveling public.

Highway Improvement Program (Program I)

In the project list and biennial budget, the department is including funding associated with cost increases **only** for portions of projects already under contract and in construction. Other additional known increases are:

- M00900R – I-405/Renton to Bellevue – Corridor Widening: \$45 million needed in outer biennia to address a cost increase for the fish barrier solution on Ripley Lane.
- 316706C – SR 167/SR 410 to SR 18 – Congestion Management: The I-405/SR 167 Program is currently finalizing the CEVP results on this project and an increase is expected to be included in a November update once the agency has validated the estimates.
- M00600R – SR 167/SR 509 Puget Sound Gateway: The Gateway program is currently finalizing the results from the Stage 2B CEVP and an increase is expected to be included in a November update once the agency has validated the results.
- L1000113 – I-90/SR 18 Interchange Improvements: \$16 million is needed to move forward with constructing the weigh station project.

Washington State Ferries Construction – Capital (Program W)

- Terminal Electrification BIN L1000341: Completed Pre-Design Studies for the Seattle and Bainbridge Island Terminal Electrification projects estimate an increased need of \$115 million in 2025-27 and a \$22.2 million in 2027-29 for a Total increase of \$137.5 million.
- Administrative Support BIN's 998901J (W1) and 998951A (W2) are linked and are funded proportionally to match total program splits between W1 & W2 each biennium. The net increase for the two BIN's is \$634,000. Individually the W2 Vessels BIN 998951A had an increase of \$7.5 million and W1 Terminals 998901J had a decrease \$6.9 million. This total increase represents 2 FTE's that were shifted from the Vessel Project Support BIN 20000006 to the Administrative Support BIN 998951A (W2) and shows a related net \$530,000 decrease.

- Vessel Preservation Increases on existing projects of \$72.3 million needed to preserve critical vessel assets to reduce unscheduled out of service events impacting service operations and the traveling public:

BIN	Vessel	Increase
944405D	MV Chelan Preservation	\$9.5 million
L2021072	Vessel and Terminal Preservation	\$8.8 million
944442B	MV Spokane Preservation	\$5.8 million
944441B	MV Walla Walla Preservation	\$5.8 million
944406D	MV Sealth Preservation	\$5.3 million
944401D	MV Issaquah Preservation	\$4.8 million
944404D	MV Cathlamet Preservation	\$4.7 million
944403D	MV Kitsap Preservation	\$4.4 million
944499D	MV Tacoma Preservation	\$4.4 million
944499E	MV Wenatchee Preservation	\$3.8 million
Varies	Preservation across 7 other Vessels	\$15.2 million

- Vessel Preservation needs on projects in the outer biennia - \$1.36 billion needed in outer biennia to preserve critical vessel assets to reduce unscheduled out of service events impacting service operations and the traveling public. This amount is spread over the outer 14 years or 7 biennia. Prior budget versions had no funding identified in the final 8 years of the vessel preservation plan, and the \$1.36 billion includes those needs.
- Vessel Improvement on projects in the outer biennia - \$52.6 million of funding in outer biennia is needed to deliver planned improvements.

Washington State Ferries – Operating (Program X)

- Vessel Crew Above COI – ongoing increased need of \$16.5 million for additional deckhands and engine room crew to ensure sufficient crew to allow the vessel to sail. If additional funding is not provided, it will result in WSF hiring less staff than originally intended or laying off staff that have already been hired. This will negatively impact WSF's ability to provide reliable service.
- Enterprise Asset Management (EAM) – ongoing increased need of \$2.6 million to fully implement this system and finish the project. If funding is not provided, then the system will not be usable and WSF will need to revert to an older program (MPET).
- Dispatch and Customer Communications – ongoing increased need of \$873,000 for a new dispatch system scheduled to be implemented in 2025-27. Impacts if funding is not received are that WSF will not be able to functionally manage crews that operate the ferry system. This could result in additional service disruptions. Also, there is increased risk that passengers will not receive timely notifications about delays and other pertinent travel information.
- Terminal Traffic Control – ongoing increased need of \$1.1 million to perform traffic control at six terminals. This helps WSF provide additional contracted traffic control on city streets and state highways. Without this funding there is an increased risk of traffic related incidents at ferry terminals.
- Colman Ferry Dock Security – ongoing increased need of \$1.65 million for 24-hour security, seven days a week for the Colman Dock (Seattle Terminal). If additional funding is not provided, there is an increased risk of security issues for WSF employees and ferry passengers.
- Orcas Island Stop – ongoing need of \$160,000 for WSF to provide additional summer service in the San Juan Islands, specifically to Orcas Island. Providing this funding allows WSF to meet the needs of its riders by providing these additional opportunities for travelling to Orcas Island.
- Passenger-Only Service Kitsap Transit/King County Water Taxi – \$12.1 million for supplemental passenger-only ferry service which mitigates the impact of having only one of two WSF vessels operating on the Seattle-Bremerton route and two of three WSF vessels operating on the Triangle route (Fauntleroy, Southworth, Vashon). Without the funding this expanded passenger-only ferry service will not be provided.

- Ongoing Labor Costs & Familiarization – ongoing increased need of \$13.9 million for operating costs, which include deck and engine room labor costs and familiarization of newly assigned vessel crew. The impact to the program and ferry service without this funding is core services will be reduced, including the number and frequency of sailings.

Rail – Capital (Program Y)

In 2019, Amtrak began negotiating a longer-term maintenance program (Technical Support and Spares, and Supplies Agreement, or TSSSA). In April 2024, Amtrak presented a 21-year TSSSA proposal for the national state-owned fleet with costs totaling over \$1 billion for all the involved states. WSDOT's portion of these cost projections are approximately \$195 million over the next 21 years (\$9.3 million annually). Without this funding, starting in 2026 Washington may need to pay back 2011 ARRA grant funds and service disruption is likely, followed by stoppage.