



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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February 26, 2018

TO: Honorable Judy Clibborn, Chair
Honorable Ed Orcutt, Ranking Member
House Transportation Committee

Honorable Steve Hobbs, Chair
Honorable Curtis King, Ranking Member
Senate Transportation Committee

FROM: David Schumacher
Director

**SUBJECT: OFM CONCERNS WITH SENATE/HOUSE TRANSPORTATION BUDGETS
(SSB 6106 AND SHB 2469)**

Thank you for your efforts to move forward your respective 2018 supplemental transportation budgets. We appreciate your support of several initiatives in the Governor's proposed budget including funding for an additional State Patrol trooper class, completion of the Alaskan Way Viaduct project, additional capacity on SR 167, and staffing and equipment at the Department of Licensing related to the expected increased demand for enhanced driver licenses.

OFM continues to work with your staff on technical and other budget 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.

Department of Licensing

Licensing services offices (LSO). The Governor's budget provides \$43 million to address the increase in wait times at LSOs due to the expected increase in demand for enhanced driver's licenses. The Senate budget provides \$28 million and the House budget provides \$42.5 million. Both budgets place some of the funding in unallotted status to be released when wait times have increased by more than two minutes above 2017 levels. We request that this package be funded at the level in the Governor's budget. In addition, we are concerned that if too much funding is placed in unallotted status to be released as wait times rise, it will not allow the Department to address increased wait times in a timely manner as it takes 6-8 months to fully train new personnel in the LSO offices.

Washington State Patrol (WSP)

WSP anticipated underruns. Although WSP is not fully up to its authorized staffing levels, OFM suggests a minor decrease in the amount of anticipated vacancy savings assumed in both the Senate and the House budgets for anticipated underruns. Please consider reducing the WSP's expenditure authority by \$1,000,000 each fiscal year for a biennial reduction of \$2,000,000. We hope that, with the funding of last year's compensation increases and an additional trooper training class, attrition will be reduced and the WSP will be able to get closer to being fully staffed. If savings materialize, we are willing to explore additional reduction options in our next supplemental budget proposal.

Department of Transportation (WSDOT)

Data Center migration. The House budget provides \$365,000 for State Data Center migration planning. Current statute and OCIO policy require the development of a business plan, even if the conclusion is not to use the State Data Center. We request inclusion of the \$365,000 for this planning in the final budget.

Olympic Region headquarters. We appreciate the inclusion of funding for the Olympic Region headquarters in both budgets. The Senate provides an additional \$6 million while the House provides \$18 million which is the amount needed for the full cost of the move. At the \$6 million funding level, the department would only be able to construct the maintenance facility, and the administration would need to remain at the Tumwater location. This would lead to increased costs over the long term by continuing to maintain the current administration facility and doing site work and construction separately at the new facility. We recommend that funding for this project include the full \$18 million.

Dayton Avenue building. We appreciate the inclusion of funding for the renovation of the Dayton Avenue building in both budgets. However, the Senate budget would require the Department of Ecology (DOE) and Department of Licensing (DOL) to pay the entire cost of the Dayton renovation through a certificate of participation (COP). As provided in the Governor's budget, WSDOT will pay the \$14 million deferred maintenance which is the amount it would have to pay even if DOE and DOL did not move to the facility. If DOE and DOL have to include repayment of the \$14 million, their lease payments would be above market rate, which would make the plan unfeasible. We request that the finance plan for this facility be funded at the Governor's level, which has been vetted with all three agencies. Additionally, we ask that the final budget include the COP authorization language that is in Section 701 of the Senate budget.

SR 99 tunnel structure O&M. We appreciate both budgets including \$3 million for operations and maintenance (O&M) for the SR 99 tunnel. However, we suggest this funding come from the Motor Vehicle Account instead of the Alaskan Way Viaduct Replacement Account (AWVRA) as a loan to be repaid from the AWVRA. If tolling is delayed on the project for any reason, revenues to the AWVRA would be insufficient and O&M costs of the tunnel would need to come from the maintenance budget of the Northwest region. This would reduce funding for other necessary maintenance needs.

Ferry tort costs. We request that the final budget include an additional \$2 million in Program U to go toward paying ferry tort claims as the original appropriation is running out. Program U does not have the funding to absorb this cost.

Seattle and Mukilteo docks. The Senate budget does not provide the additional risk funding that may be needed for the Seattle terminal or Mukilteo terminal projects. We ask that this be included in the final budget. Given their size and complexity, risk funding is necessary to keep these over-water projects on track. In addition, the largest of the Mukilteo contracts has not yet been advertised. This exposes the project to additional risk. If bids come in higher than expected, the department may have to delay the project and re-advertise after additional funding is secured in a subsequent legislative session.

Liquid natural gas RFP. The Senate budget provides \$100,000 for a request for proposal (RFP) to convert a ferry vessel to liquid natural gas (LNG). Converting a vessel to LNG would require one vessel to be out of service for seven to nine months. The companies pursuing LNG conversion would prefer converting a vessel built after 2007, removing either an Olympic or Kwa-di Tabil class vessel from service. Unlike the plan for converting three Jumbo Mark II vessels to electric hybrid during their scheduled maintenance periods, this would leave Washington State Ferries without a relief vessel during

the retrofit. In addition, issuing the RFP by July 1 is not possible given other operational demands. We request removal of this item.

Ultra high speed rail. The House budget provides \$900,000 for a consultant business case analysis of ultra high speed rail. We request the final budget contain this amount of state funding to do the required ridership and revenue analysis.

Alternative fuel vehicle sales tax exemption. The Senate operating budget funds HB 2340 which extends the funding of the alternative fuel vehicle sales tax exemption to 2,500 additional vehicles. The Governor prefers passage of HB 2563 funded in the House budget which provides the exemption for a longer period of time.

Bond proceeds. The Governor's budget used Transportation 2003 (Nickel Account) bonds in the Improvement program at WSDOT. There may not be enough bond-eligible Nickel Account expenditures in the Improvement program to satisfy IRS rules for use of bond proceeds. There are enough Nickel Account bond-eligible expenditures in the Preservation program to satisfy IRS rules, and we recommend moving authorization for the bonds not sold in this biennium to the Preservation program.

The Governor's budget used motor vehicle fund bond proceeds for program support expenditures in WSDOT's Improvement program. IRS compliance requirement rules for using bond proceeds for program support expenditures on projects are difficult to meet. Therefore, we recommend moving motor vehicle bond proceeds used to fund program support expenditures in the Improvement program to the Preservation program where they can be used for direct project expenditures.

Alaskan Way Viaduct (AWV) toll rate setting. We believe that additional guidance is needed on toll rate setting for the SR 99 tunnel in order to clarify and prioritize what tolls should cover and to provide sustainable long-term financial planning. We request that you consider language in the final budget that addresses the following issues:

- Modify statute (temporarily if in budget bill) so the AWV Account can directly reimburse the Transportation Partnership Account for this debt, similar to the Tacoma Narrows Bridge;
- Provide direction on what tolls, at a minimum, should cover and in what priority; and
- Require the Commission to have a long-term plan on the toll rates in order to cover all costs, including bond repayment, through the life of the bonds.

Office of Financial Management (OFM)

One Washington. The Governor and House proposed budgets provides \$2,570,000 for OFM to work with WSDOT to integrate the transportation reporting and accounting information system (TRAINS) with the One Washington project. The Senate budget provides \$1,000,000. We request that the final budget be at the Governor's level in order to ensure a successful integration.

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.

cc: Mark Matteson, Staff Coordinator, House Transportation Committee
Kelly Simpson, Staff Coordinator, Senate Transportation Committee
Dean Carlson, Senior Budget Assistant, OFM
Jim Crawford, Assistant Director for Budget, OFM