



STATE OF WASHINGTON
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February 26, 2026

TO: Honorable Jake Fey
Honorable Andrew Barkis
House Transportation Committee

Honorable Marko Liias
Honorable Curtis King
Senate Transportation Committee

FROM: K.D. Chapman-See
Director

SUBJECT: OFM CONCERNS WITH HOUSE AND SENATE 2026 SUPPLEMENTAL TRANSPORTATION BUDGETS

Thank you for your continued partnership as we work together to finalize the 2026 supplemental transportation budget. The supplemental budget continues to present challenges, and we recognize the thoughtful work and diligence each of your proposals represent. We value your collaboration and the engagement occurring between the legislative and executive branches. As work toward reaching a final budget agreement begins, I want to highlight a few critical considerations.

We must prioritize limited resources to maintain and preserve our existing infrastructure, restoring ferry service, keeping our roadways safe with adequate patrolling, and meeting our statutory responsibilities. New spending should be restrained to only what is most necessary to maintain current services and the most critically needed new investments. It is also critical that our transportation budget balance over the six-year budget period to ensure we have the workforce, contractor capacity, and time for responsible and predictable planning, as well as adequate resources for transportation project delivery.

Meeting the critical need for necessary maintenance and preservation work of our current transportation system requires a level of ongoing funding that warrants utilizing bonds. We applaud the Senate for leveraging current resources to provide additional bonding, as the Governor's budget proposed. We also appreciate the Senate's recognition that this work is necessary and must be adequately paid for over the six-year budget period. While the House's investments in the current biennium represent progress, we need a long-term approach that balances over the six-year period to avoid falling further behind in our care for essential highway needs. With the current House approach of only balancing over the 2025-27 and 2027-29 biennia, the state could ultimately spend less in the 2029-31 biennium on maintenance and preservation than we currently spend today.

While we understand the desire to focus on maintaining our current ferry fleet, we want to stress the importance of funding new ferries. Our ferry system is in crisis. Washingtonians rely on ferries for doctor's appointments and other essential needs. As the Governor has repeatedly stressed, we must invest in additional new ferries.

We must also fully fund the cost of work created by new legislation. Not fully funding new legislation means agencies will not be able to successfully deliver on their missions, particularly while they are faced with taking on efficiencies and savings in their base budgets. To be implemented with full effect, legislation should be funded. The Governor intends to carefully examine the fiscal impacts of legislation when reviewing enrolled bills.

Additionally, we cannot expect agencies to take on new work without funding current operations. Across agencies, funding for transportation items has been reduced by removing indirect expenditures, not funding costs for new sales taxes, and making general reductions while directing agencies to find efficiencies. This approach undermines the agencies' ability to deliver on the policies that are being proposed. We cannot expand or add new programs and projects at the expense of inadequately funding core agency functions and infrastructure in ways that undermine our ability to effectively serve the public or create legal or financial risk to the state.

As we move forward, I want to clarify the scope and intent of the remainder of this memorandum. It does not detail every difference between the proposed budgets; rather, it highlights significant areas warranting your careful consideration. We will also submit a variety of specific policy and technical issues to you and your staff. Thank you again for your continued partnership and thoughtful consideration of these concerns.

Department of Transportation, Ferry Conversion

Both the House and Senate proposed budgets direct Washington State Ferries to close out current diesel to hybrid vessel conversions. Project close out entails lease payments for warehouse storage of vessel conversion equipment, vessel moving costs, payments for previously invoiced work, and repayment of federal funds. Additionally, one conversion has ongoing work in progress related to installation of receptacles and propulsion upgrades. This work will cost \$21.5 million and we recommend funding this effort at that level.

Department of Transportation, Adopt-A-Highway

Effective July 1, 2026, RCW 47.40.100(1)(a) requires specific legislative appropriation for the Adopt-A-Highway Program. Under SB 5556 and RCW 47.40.100 and 47.36.400, expenditures must be supported by explicit appropriation authority in the enacted budget, even if no new funding is provided. Without that, the department lacks authority to implement the program, resulting in significant impacts to statewide litter collection efforts and the thousands of volunteers who help maintain Washington's highways. Continued operation of the Adopt-A-Highway Program requires clear legislative appropriation authority.

Department of Transportation, Local Project Appropriations

Neither the Senate nor House proposed funding for Local Programs is sufficient to fund all the projects listed on the proposed project list. The House budget proposal underfunds projects by \$227 million, and the Senate underfunds by \$100 million. This shortfall, particularly at the House level and approach, would impede project completion, as the program would lack the resources necessary to meet contractual obligations and reimbursements. Local projects would therefore be delayed relative to the current funding level, in some instances causing significant delays to local projects.

We strongly advise providing more funding to local programs in order to fund all projects on the proposed project list or that the Legislature consider taking projects off the list. We appreciate that the flexible language in the Senate proposal does provide the department an ability to better manage any legislatively directed underspend.

Department of Transportation, Infeasible Items

In multiple items, within the Local Programs, the Senate budget and House budget proposals direct programs that cannot be completed this biennium. Unless the provisos are fixed, the program will be unable to expend or obligate the funds in the manner directed.

- Two Senate budget provisos direct projects requiring program funds to be spent prior to the end of the biennium. Local Programs will not be able to expend or obligate the proviso for traffic conflict screening for Tribes nor the pilot on smart intersection pedestrian lighting, which would require the respective grant funds and pilot to be delivered prior to the end of the biennium.
- Two House budget provisos have project requirements that would be difficult for the program. These provisos direct the department to reduce rural road departures and to implement an electric vehicle food distribution fleet upgrade project. The proviso to reduce rural road departures would create a new program that cannot be accomplished this biennium due to environmental and right-of-way requirements. The food distribution project is funded one time for new equipment and infrastructure costs; however, no funding was provided to manage this new endeavor. Not fully funding new programs hinders the program's ability to successfully deliver on their mission.

Department of Transportation, Readiness Center Feasibility Study

We do not support the House's proposal for a feasibility study to determine the optimal location for an essential public facility in North Bend. More than \$13 million has already been invested in the North Bend site for the future King County Readiness Center. The Military Department conducted extensive regional analysis before purchasing the property and confirmed it as the most suitable location. The project is now in predesign and a binding site plan is under review by the City of North Bend Hearing Examiner.

Requiring a new feasibility study at this stage would be a significant setback. It would delay the project, impact the planned vacation of the Interbay property, undermine strategic funding opportunities, and reduce the Military Department's ability to maximize federal funding.

Department of Licensing, Mobile Driver's License/Identicard

Now that the policy of establishing a mobile driver's license/identicard program in Washington has been adequately studied, it is important that any next steps should take into account what we've learned. To establish such a program by the start date of October 1, 2027, as directed in the Senate budget, is too soon. According to the Department of Licensing, January 1, 2029, would be more realistic. Additionally, if such a policy should be pursued, it should only be done if a bill can be enacted to formally establish it. Finally, the department should be provided with adequate funding to perform this work.

The Senate proposed budget underfunds the most current estimates of what would be necessary, specifically eliminating funding for public information and outreach. This funding is necessary for the department to engage Washingtonians through digital and print communications to ensure people understand what mobile driver's licenses/identicards are and how to use them. Funding is also necessary to perform outreach to businesses and government entities on how they can accept mobile driver's licenses/identicards for age or identity verification. A successful rollout and adoption by the public of mobile driver's licenses/identicards is put in jeopardy without this funding.

Department of Licensing; Dealership Investigations

The Senate transportation budget redirects \$4.0 million of base funding to auto dealer licensing, oversight, and inspection, including reinstating on-site inspections with a focus on locations where ten or more dealerships are co-located. A significant portion of the funding being redirected is currently used for fuel tax administration, which means this action could result in a delay in processing fuel tax revenues. Furthermore, within the auto dealership inspection program itself, inspectors typically focus on processing applications and investigating complaints of fraud.

This item would mean pulling resources from these crucial functions, directly impacting the public, to perform on-site inspections, which are not required by law and would not be an efficient use of state resources. For these reasons, we recommend removing this proviso.

Department of Licensing; Parking Ticket Information

The Senate budget also redirects \$300,000 of base funding to make improvements to how parking ticket information is provided to individuals during the vehicle registration renewal process, with the goal of allowing for a quicker, more efficient method of resolving unpaid parking tickets. This would not only pull resources away from current agency functions, but this amount of funding is inadequate for the system changes necessary for this work.

Adding capabilities to allow for better information – for example ensuring the customer knows where to go to resolve unpaid parking tickets – and possibly allowing payments to flow between the systems of the department and local jurisdictions would cost millions, not thousands. For these reasons, we recommend removing this proviso.

Thank you for your consideration. We look forward to continuing discussions with you and your staff as you work on the final budget.

cc: Kelly Simpson, Staff Coordinator, Senate Transportation Committee
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