Washington State
Department of Transportation

2015-2017
Biennial Budget Request

September 2014

Lynn Peterson
Secretary of Transportation

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Doug Vaughn, Director of Budget and Financial Analysis
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Executive Summary

Executive Summary

The Washington State Department of Transportation provides and supports safe, reliable and cost-effective transportation options to improve livable communities and economic viability for people and businesses. Investments in transportation create living-wage jobs, spur economic recovery, and promote vibrant communities and position businesses for participation in the global economy. Transportation is truly the foundation that moves goods to market, people to jobs and families to activities.

The traveling public has benefited from investments made possible by the 2003 and 2005 transportation revenue packages, with enhanced mobility and safety, reliability to support a strengthened economy and an improved environment. Most of the projects and investments made possible by these packages are either under construction or completed. The fuel tax increases included in those packages are supporting $16.3 billion in investments statewide. Since 2003, the department has delivered 353 of 421 projects funded by the 2003 and 2005 fuel tax increases. Eighty-eight percent of the projects have been completed early or on time, and 91 percent of completed projects were on or under budget.

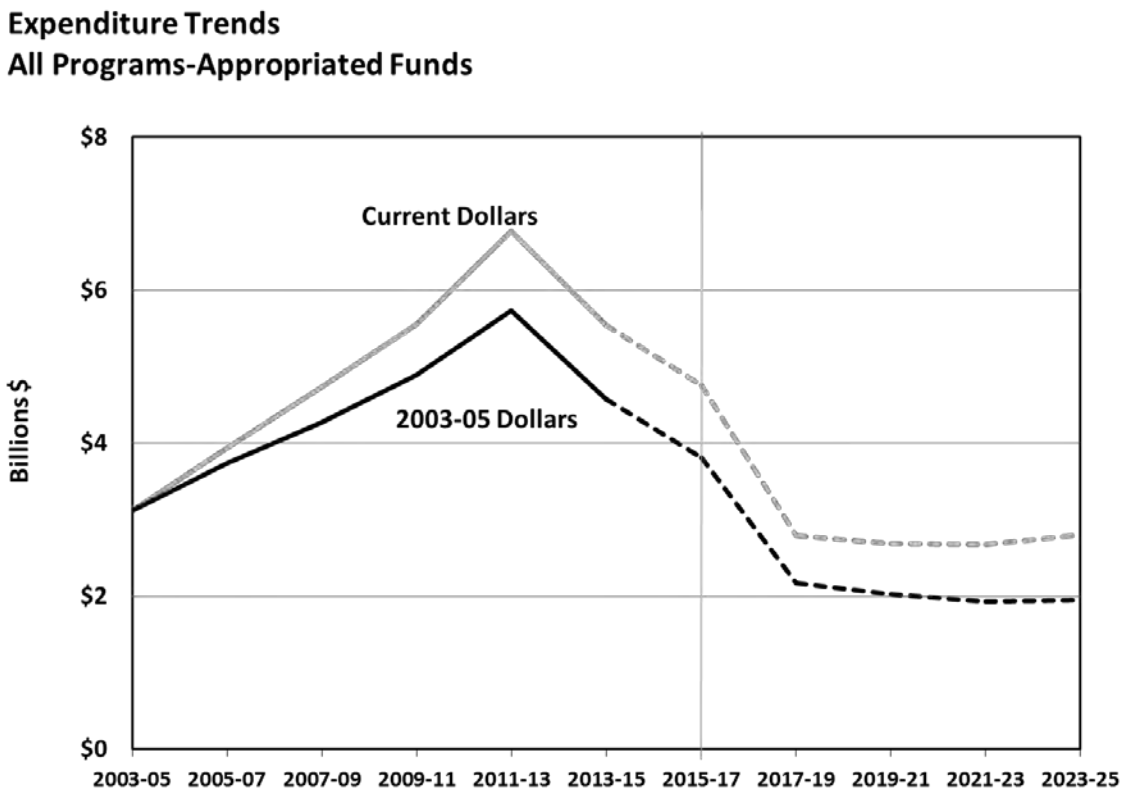
Our budget challenge

The state transportation system faces a challenging future. The department and others, including the Connecting Washington Taskforce, recognized the consequences of continued underinvestment in our transportation system. While the state's economy and traveling public have benefited from the 2003 and 2005 transportation revenue package investments, the need for additional funding to maintain, operate and preserve these additions to our system have not been addressed. As these projects are completed, the revenues enacted to support their construction are being dedicated to debt repayment for the next 25 to 30 years. Though we remain committed to keeping our system safe and making fixes where needed, our existing system will continue to deteriorate if WSDOT's maintenance and preservation needs continue to remain unaddressed. These pressures, coupled with projected reductions in highway preservation funding levels, will significantly impact Washington's drivers and businesses.

Our transportation system's long-term funding is insufficient. As the state's economy slowly recovers from the deepest recession in 70 years, state revenue collections are recovering at a slower pace than previous recessions. Specific to transportation, improved fuel economy and changes in driver behavior are causing fuel tax revenues to remain relatively flat. That lack of growth, coupled with uncertain federal funding and increasing levels of debt issued for capital projects, creates an imbalance between available revenues and the expected costs to operate, preserve and maintain our existing transportation system. The increased cost of doing business including higher fuel and materials prices and increasing right of way and labor costs further compound this problem. Projected increases in population and economic growth will result in greater demands on the existing system, which will in turn impact businesses and freight movement.

Executive Summary

The chart below shows the total WSDOT budget over time. The significant investment in capital projects due to the Nickel and TPA funds is obvious by the large peak in expenditures occurring over the course of the 2009-11 and 2011-13 biennia. The chart also includes projected expenditures for the next several biennia. This clearly illustrates the financial future facing WSDOT—the challenge of maintaining infrastructure with a significant funding decline.



Making difficult choices

In preparing its 2015-17 biennial budget request, the department is limiting proposed investment levels to available revenues, which is made more difficult as the department is starting from a deficit position for the 2015-17 Biennium. The four primary transportation accounts that support WSDOT expenditures are projected to have an aggregate 2015-17 deficit of approximately $72 million after accounting for legislatively planned capital project investment levels and the incremental adjustments required to continue our operating program activities at current levels.

In making these difficult choices, the department proposes:

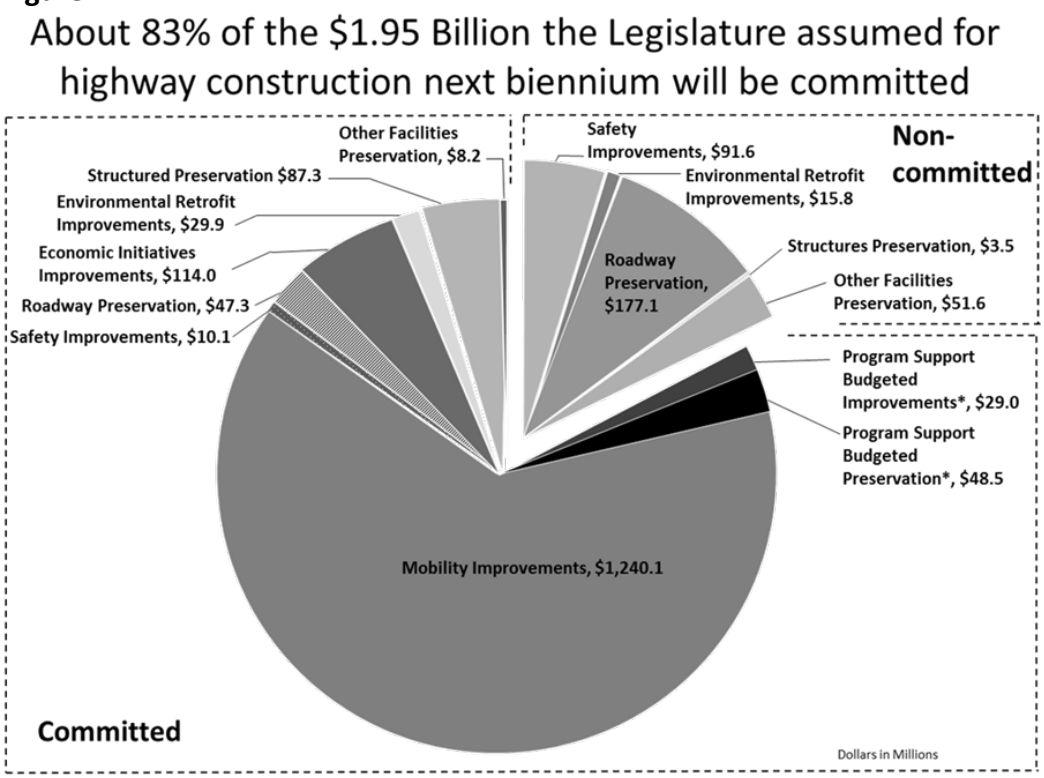
- Critical investment in court required fish passage
- Targeted reductions vs. across the board cuts
- Delays for unfunded ferry capital projects
- Minimal, targeted ferry service level reductions
- Strategic reductions in some highway maintenance activities
- Constrained public transportation grant investment levels

Executive Summary

Critical investment in court required fish passage
In addition to the funding shortfalls outlined above, we face a 2013 federal court injunction that requires the state to significantly increase the effort to removing state-owned culverts that block habitat for salmon and steelhead by 2030. While under appeal, we are one year in and costs to complete over 800 projects will continue to increase. This means WSDOT needs to direct more resources to culvert replacements than budgeted this biennium. However, about 83 percent of the highway construction funding assumed by the legislature for next biennium will already be under contract, or otherwise committed, before the biennium starts (Figure 1).

The remaining funding, which represents around $340 million, is made up mostly of roadway preservation and highway safety investment funding. In order to make a good faith investment in fish passage barrier removal within existing funding levels, the department is assuming reductions in those two programs. The department's proposed ongoing investment level for barrier removal, which we have targeted to be $80 million. If sustained, that minimum investment level would get us to 50-75 percent habitat restoration in 15 years, which is the time period the court has outlined to address barrier correction.

Figure 1:



**While primarily non-contracted, these activities are necessary to implement the entire highway construction program and are assumed to be committed.*

Targeted reductions vs. across the board cuts
WSDOT prefers targeted reductions to an across-the-board cut to all programs because the department has consistently reduced staff overhead and administration over the past several biennia. Our current administration budget (defined as the budgets for programs C, H and S) is

lower by $25 million and 53 FTEs compared to levels six years ago. The department remains committed to being as efficient and effective as possible in our administrative programs so that more tax dollars are spent on our transportation system.

The proposed operating budget reductions target the three programs that make up at least five percent of the operating total – Highway Maintenance (Program M), Ferry Operations (Program X) and Public Transportation (Program V). Together, the three programs account for nearly 70 percent of the department's operating budget.

Delays for some unfunded ferry capital projects
The planned 2015-17 capital investment level assumed in the 2014 legislative project list for ferries cannot be supported by current revenues. State fuel tax revenues dedicated for ferry and terminal preservation and other ferry capital needs are not sufficient to cover much more than the existing debt repayment for projects built in the 1990s. In recent biennia, the ferry system has relied on transfers and funding from other state transportation accounts to preserve the existing system, as well as to build new ferry vessels. While some transfers will still be required in the budget requested by the department, a number of ferry terminal projects are assumed to be reduced or delayed in order to balance the budget in 2015-17, including work on the Seattle Multimodal Terminal at Colman Dock project. Absent new revenue, additional reductions will be required to balance beyond next biennium.

Minimal, targeted ferry service level reductions
The state's ferry system also remains critically under-funded and current service levels are not sustainable with the current revenue stream. Operating costs for items such as fuel and labor continue to outpace fare collections. While 99.5 percent of scheduled sailings were completed during the first half of 2014, we have seen glimpses in recent months of the affect that ongoing underinvestment in ferry maintenance, operations and preservation could have on the system as vessels break down and staff resources are stretched to the breaking point.

Without a new funding source, the department's budget will continue to assume some level of transfers. Even with continued transfers, the department's budget request still assumes that some ferry terminal projects will be deferred or delayed. The budget the department is submitting also recommends limited ferry service reductions, and WSDOT will continue to explore other options to free up additional funds to improve the reliability of staff and equipment.

Strategic reductions in some highway maintenance activities
To achieve a budget proposal within current resources, we propose Highway Maintenance service reductions of $15.0 million per biennium. While necessary to balance the entire WSDOT budget for 2015-17, this reduction would result in substantially reduced levels of service statewide and would reduce the permanent workforce by approximately 125 employees (10 percent of the workforce). If these cuts are required, the department will first look to achieve these reductions through attrition, followed by reductions in temporary or seasonal positions.

Maintenance, by its function and nature, is performed geographically. Reducing the number of employees will affect WSDOT's ability to deliver maintenance services, which ultimately affects the condition of highway and bridge assets. A growing backlog of preservation needs for highways and bridges threatens our state's freight corridors and local delivery operations. Drivers can expect rougher roads, potential service level changes in rest areas and greater potential for damage to vehicles and sensitive cargo. People will see snow and ice staying on the roadway for longer periods, faded lane striping and signs, lights remaining dark for longer periods and less roadside mowing and litter control. In implementing these reductions, the department will focus on eliminating lower priority activities and preserving levels of service on higher priority routes.

Constrained public transportation grant investment levels
Given the financial challenges we face next biennium, the department proposes foregoing the assumed increase in Regional Mobility Grants funding levels that was supposed to start in the 2015-17 Biennium. The legislation that established the Regional Mobility Grant Program Account (RCW 46.68.320) provided for an increase in the funding transferred into the account for grants, growing from $40 million to $50 million per biennium. However, the department's request would maintain the current level of funding of $40 million, which allows the department to balance its request and still preserve funding to continue the Commute Trip Reduction (CTR) tax credit at current levels.

Our commitment to manage through challenging times
Using Results WSDOT, the agency's roadmap for Washington's transportation future, we are committed to a culture of continuous improvement that builds a more efficient, effective and accountable government for those we serve.

The department's budget request provides the resources needed to fully deploy least cost planning and practical design principles throughout the department; develop and utilize a statewide model to assist statewide multimodal long range transportation planning; bolster the training for ferry terminal and vessel crew to ensure safe and reliable ferry service continues; and build organizational strength by investing in leadership training and succession planning. The department is also proposing investments to prepare for the future by filling in the gaps that exist in our Electric Vehicle charging network and improving and supporting the department's website.

These strategic policy investments will allow the department to continue to move forward and ensure the most efficient use of limited resources, preserve environmental quality, identify clean transportation opportunities to address climate change, and aggressively pursue agency reforms to improve our performance. While committed to managing well through tough times, our budget challenge is undeniable.

2015-17 Budget Request

in Millions of Dollars

Pgm Code	Program Title	2013-15 With 2014 Supplemental Budget	Carry Forward Adjustments	Incremental Decision Packages	Total 2015-17 Budget	Percent Change from 2013-15
	Operating Budget					
B	Toll Operations & Maintenance	68.155	(4.451)	24.406	88.110	29.3%
C	Office of Information Technology	72.002	0.793	0.005	72.800	1.1%
D	Facilities--Operating	26.114	0.333	0.686	27.133	3.9%
F	Aviation	10.059	(0.525)	2.339	11.873	18.0%
H	Pgm. Delivery, Management, & Support	49.437	1.117	2.874	53.428	8.1%
K	Public/Private Partnerships	0.589	(0.015)	1.500	2.074	252.1%
M	Highway Maintenance and Operations	408.358	(4.448)	1.631	405.541	-0.7%
Q	Traffic Operations--Operating	52.355	0.806	0.240	53.401	2.0%
S	Transportation Management & Support	28.490	0.137	1.620	30.247	6.2%
T	Transp. Planning, Data, & Research	49.474	(0.552)	2.526	51.448	4.0%
U	Charges from Other Agencies	77.666	(0.710)	(0.115)	76.841	-1.1%
V	Public Transportation	111.630	(51.540)	50.511	110.601	-0.9%
X	Ferries--Operating	483.525	4.540	9.946	498.011	3.0%
Y	Rail--Operating	46.026	1.742	1.170	48.938	6.3%
Z	Local Programs--Operating	11.239	0.162	0.003	11.404	1.5%
	Subtotal Operating	**1,495.119**	**(52.611)**	**99.342**	**1,541.850**	**3.1%**
	Non-appropriated Funds					
E	Transportation Equipment Fund	144.973	1.594	2.643	149.210	2.9%
S	Transportation Management & Support	0.175	-	-	0.175	0.0%
	Subtotal Operating With Non-appropriated	**1,640.267**	**(51.017)**	**101.985**	**1,691.235**	**3.1%**
	Capital Budget					
D	Facilities--Capital	23.859	(23.859)	6.141	6.141	-74.3%
I	Highway Improvements	3,572.584	(3,572.584)	2,271.622	2,271.622	-36.4%
P	Highway Preservation	718.463	(718.463)	466.314	466.314	-35.1%
Q	Traffic Operations--Capital	14.267	(14.267)	12.229	12.229	-14.3%
W	Ferries--Capital	379.013	(379.013)	262.000	262.000	-30.9%
Y	Rail--Capital	484.897	(484.897)	380.924	380.924	-21.4%
Z	Local Programs--Capital	75.482	(75.482)	42.694	42.694	-43.4%
	Subtotal Capital	**5,268.565**	**(5,268.565)**	**3,441.924**	**3,441.924**	**-34.7%**
	Total Appropriated Funds	**6,763.684**	**(5,321.176)**	**3,541.266**	**4,983.774**	**-26.3%**
	Total With Non-appropriated	**6,908.832**	**(5,319.582)**	**3,543.909**	**5,133.159**	**-25.7%**

Operating Programs

Operating Programs Overview

The table below details the 2013-15 Biennial budget, carry-forward and other incremental adjustments, and the total 2015-17 agency request budget for the fifteen operating programs in WSDOT.

2015-17 Operating Budget Request

in Millions of Dollars

Pgm Code	Program Title	2013-15 With 2014 Supplemental Budget	Carry Forward Adjustments	Incremental Decision Packages	Total 2015-17 Budget	Percent Change from 2013-15
B	Toll Operations & Maintenance	68.155	(4.451)	24.406	88.110	29.3%
C	Office of Information Technology	72.002	0.793	0.005	72.800	1.1%
D	Facilities--Operating	26.114	0.333	0.686	27.133	3.9%
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M	Highway Maintenance and Operations	408.358	(4.448)	1.631	405.541	-0.7%
Q	Traffic Operations--Operating	52.355	0.806	0.240	53.401	2.0%
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U	Charges from Other Agencies	77.666	(0.710)	(0.115)	76.841	-1.1%
V	Public Transportation	111.630	(51.540)	50.511	110.601	-0.9%
X	Ferries--Operating	483.525	4.540	9.946	498.011	3.0%
Y	Rail--Operating	46.026	1.742	1.170	48.938	6.3%
Z	Local Programs--Operating	11.239	0.162	0.003	11.404	1.5%
	Subtotal	**1,495.119**	**(52.611)**	**99.342**	**1,541.850**	**3.1%**
	Non-appropriated Funds					
E	Transportation Equipment Fund	144.973	1.594	2.643	149.210	2.9%
S	Transportation Management & Support	0.175	-	-	0.175	0.0%
	Total With Non-appropriated	**1,640.267**	**(51.017)**	**101.985**	**1,691.235**	**3.1%**

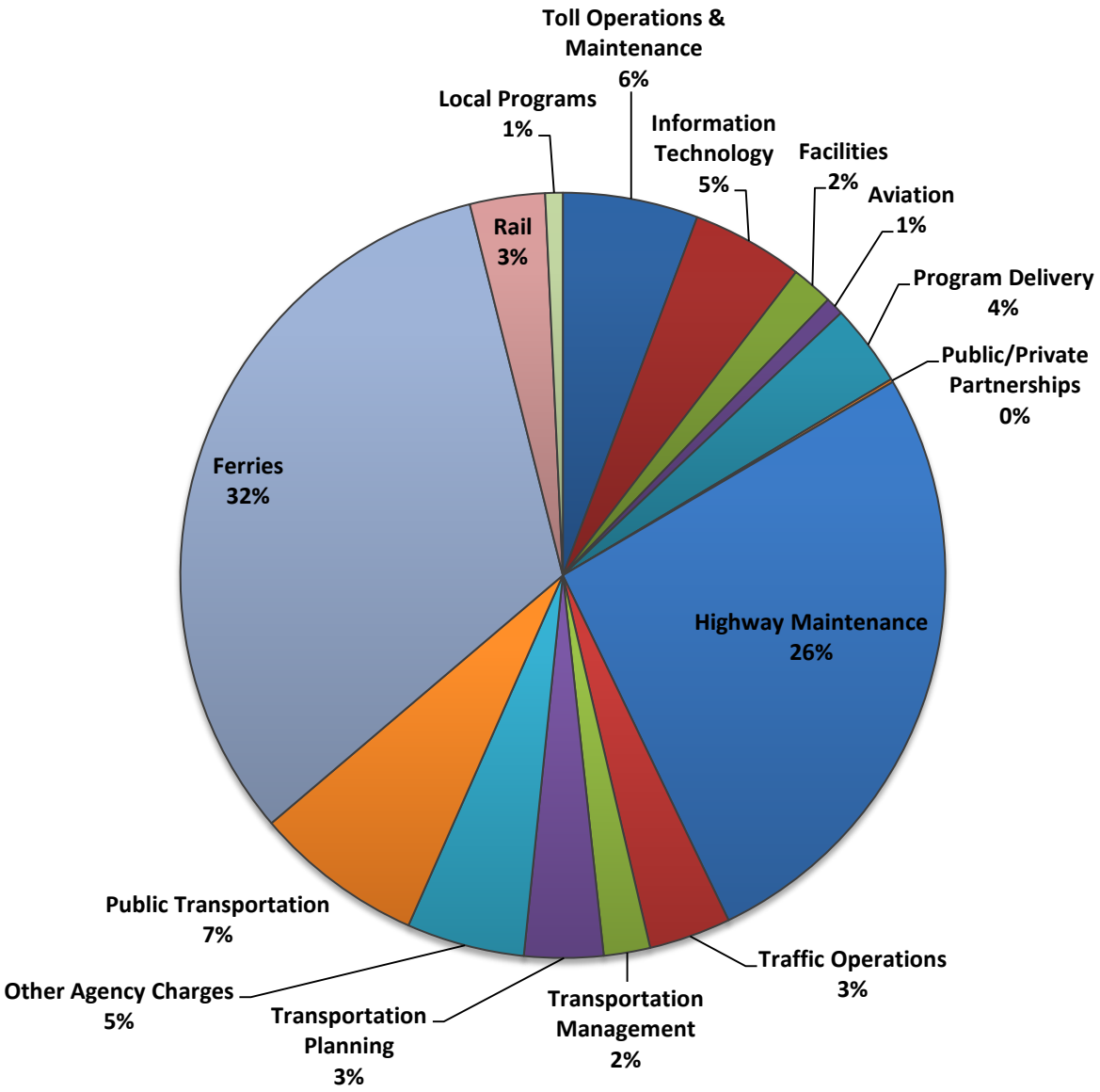
The 2013-15 Biennial budget for WSDOT operating programs was $1.5 billion. In preparing its 2015-17 budget, the department has numerous carry-forward level adjustments; the largest is an adjustment to Regional Mobility Grant Program (RMGP) funding in Program V-Public Transportation. The program's funding source and amount are specified in statute but the program is zeroed out in a carry-forward level technical adjustment each year and the statutory funding amount is replenished with a maintenance level package.

The proposed 2015-17 budget for the department's operating programs represents an increase of almost $51 million from current biennium levels. The table above shows the net impact of the proposed maintenance and policy level requests while the program specific write-ups provide detail on individual requests. A number of programs are proposed to have increased levels of funding, most notably Program B – Toll Operations and Maintenance and Program X – Ferries Operating, while Highway Maintenance and Operations would see a decrease in funding as a result of the cuts required to balance the department's budget for 2015-17.

Operating Programs Overview

The chart below illustrates the relative size of each operating program's share of the total 2015-17 department request.

2015-17 Operating Budget Request by Program



Operating Programs Overview

2015-17 OPERATING Budget Request (in millions of dollars)																
	Pgm B TollOp	Pgm C InfoTech	Pgm D Facilities	Pgm F Aviation	Pgm H PgmDel	Pgm K Pub-Pri.	Pgm M Mnt&Op	Pgm Q TrafficOp	Pgm S TranMgt	Pgm T TranPlan.	Pgm U OtherAg.	Pgm V PubTrns	Pgm X Ferries	Pgm Y Rail	Pgm Z LocalPg	Subtotal Operating
2013-15 Expenditure Authority	68.155	72.002	26.114	10.059	49.437	0.589	408.358	52.355	28.490	49.474	77.666	111.630	483.525	46.026	11.239	1,495.119
Carry Forward Adjustments	(4.451)	0.793	0.333	(0.525)	1.117	(0.015)	(4.448)	0.806	0.137	(0.552)	(0.710)	(51.540)	4.540	1.742	0.162	(52.611)
Maintenance Level Adjustments																
5W Fuel Costs													1.451			1.451
8F Fuel Rate Adjustment	0.002	0.005	0.016	0.002	0.015		0.713	0.052	0.001	0.008		0.001	0.020	0.002	0.003	0.840
A0 1A WSF Service Reduction													(3.194)			(3.194)
A1 1B Highway Maintenance Reduction							(15.000)									(15.000)
BA Toll Facility and Systems Maint.	7.632															7.632
BB Toll Adjudication Cost Increases	2.795															2.795
BD Toll Ops and Ongoing Development	4.046															4.046
BE I-405 Express Toll Lanes	9.931															9.931
DA Wireless Sites Lease Adjustments			0.167													0.167
DB Janitorial and Utility Rates			0.149				1.072									1.221
DC Maintenance of System Additions			0.267				0.089									0.356
FB Non-State Funds Items				2.010					0.250		0.100					2.360
MC Transient Encampment Removal							0.216									0.216
ME Local Government Assessments			0.087				1.659									1.746
MG Oregon Bridge Agreements							0.692									0.692
MH Damages by Known Third Parties							2.190									2.190
MI Continue Highway Maint. Funding							10.000									10.000
QA Olympic Region Congestion Mgmt.								0.188								0.188
SA DBE Community Engagement									0.288							0.288
SB Website and Social Media Investment									0.589							0.589
UA Vedor Management Fee											0.138					0.138
UB ELG Building Lease Savings											(0.353)					(0.353)
VA Oversight of State Grant Programs												0.510				0.510
VB Regional Mobility Grant Program												40.000				40.000
VC Regional Mobility Reappropriation												10.000				10.000
XA Credit Card Costs													1.024			1.024
XF WSF Deck & Engine Employee Mileage													0.754			0.754
XG Contracted Terminal Agents-Leases													0.262			0.262
XJ Reservation System Operations													2.302			2.302
XK Olympic Class Vessel Operations													1.281			1.281
XL Marine Insurance													0.397			0.397
XM Ferries Utilities													0.969			0.969
YA New Service for Amtrak Cascades														1.168		1.168
Policy Level Adjustments																
N0 FC Aviation Emergency Services				0.327												0.327
N1 HA Reforms Implementation					2.186											2.186
N2 HB Facilities Preservation & Impr					0.673											0.673
N3 KA Electric Hwy. Charging Network						1.500										1.500
N4 SC Transformational Results Initiat.									0.492							0.492
N5 TB Statewide Model Development										2.518						2.518
N7 XH WSF Operation Training Initiatives													4.502			4.502
N8 XI Fleet Facility Security Officer													0.178			0.178
Total Adjustments	24.406	0.005	0.686	2.339	2.874	1.500	1.631	0.240	1.620	2.526	(0.115)	50.511	9.946	1.170	0.003	99.342
Subtotal	88.110	72.800	27.133	11.873	53.428	2.074	405.541	53.401	30.247	51.448	76.841	110.601	498.011	48.938	11.404	1,541.850

Operating Programs Overview

Program B – Toll Operations and Maintenance

Program Description
The Toll Operations and Maintenance program is responsible for current and future statewide toll collection operations, including toll account management, customer service, and toll payment enforcement. The Toll Operations and Maintenance program (1) manages the quality and efficiency of toll operations and maintenance for state transportation facilities financed through direct user fees or tolls; (2) coordinates statewide tolling operations, which currently include the Tacoma Narrows Bridge (TNB), State Route (SR) 167 High Occupancy Toll (HOT) Lanes, and SR 520 bridge; (3) forecasts and analyzes traffic patterns, revenue, operations, and maintenance costs; (4) makes recommendations on toll schedule adjustments to the toll setting authority; and (5) administers the facility maintenance and preservation of the TNB.

The 2014 supplemental budget adds the I-405 Express Toll Lanes (ETL) toll facility to the toll system. The 2014 Supplemental Budget totals $68 million from a variety of fund sources for the Tolling program. It accounts for 4.6 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Tolling program. In total, the department is requesting $88.1 million, which is a 29 percent increase from currently funded levels. The proposed budget accounts for 5.7 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**68.155**	**38.7**
Carry Forward Adjustments	(4.451)	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.002	0.0
BA Toll Facility and Systems Maint.	7.632	23.5
BB Toll Adjudication Cost Increases	2.795	(3.0)
BD Toll Ops and Ongoing Development	4.046	8.5
BE I-405 Express Toll Lanes	9.931	8.7
Sum of Decision Packages	24.406	37.7
Total 2015-17 Budget Request	**88.110**	**76.3**
Percent Change from 2013-15 Budget	29.3%	97.4%

The Tolling program budget request includes four significant requests:

- $7.6 million and 23.5 FTEs for expenditures required to support facility and roadway maintenances as well as roadside toll collection system (RTS) maintenance. The majority of the funding will pay for staff that work in the Maintenance program in Northwest Region and Olympic Region that work on the toll facilities.
- $2.8 million and a reduction of 3.0 FTEs for operations and maintenance expenditures required to support the toll adjudication program on the TNB and SR 520 Bridge. The costs associated with the number of hearings are increasing while the FTE support is expected to decrease.

- $9.9 million and 8.7 FTEs for operations and maintenance expenditures required to support the I-405 Express Toll Lanes (ETL) scheduled to open and begin collecting tolls in September 2015.
- $4.0 million and 8.5 FTEs to reflect the transition of construction and development activities into operations. These positions were previously charged to Mega Projects during the construction phase. As construction nears completion, these positions must transition from capital project funding to Toll Operations and Maintenance funding.

Other requests are the program's share of the agency wide TEF fuel rate increase.

Program C – Information Technology

Program Description

The Office of Information Technology is responsible for providing information technology services to all department staff and programs including the acquisition and operation of central data processing equipment, microprocessor hardware, software and related support equipment used by staff as well as providing technical support for users. This area is also responsible for developing and maintaining information systems that support department business operations and program delivery.

The 2014 Supplemental Budget totaled $72 million for the Information Technology program. This program is primarily funded by MVA-state funds (over 90 percent) and accounts for nearly five percent of the department's 2013-15 operating budget.

2015-17 Budget Request

The table below provides detail of the department's 2015-17 budget request for the Information Technology program. In total, the department is requesting just under $73 million, which is a one percent increase from currently funded levels, and Program C's share of the total WSDOT budget remains unchanged at just under five percent.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**72.002**	**225.1**
Carry Forward Adjustments	0.793	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.005	-
Sum of Decision Packages	0.005	-
Total 2015-17 Budget Request	**72.800**	**225.1**
Percent Change from 2013-15 Budget	1.1%	0.0%

The Information Technology program is only impacted by one item in the budget request—the agency-wide TEF Fuel Rate Adjustment.

Program D – Facilities-Operating

Program Description
The Facilities—Operating program operates and maintains 966 department-owned buildings and structures at 289 separate sites across the state. Sites include region headquarters, maintenance shops, project engineer offices, laboratories, materials storage sites, communications sites, pits, quarries, and stockpile storage areas.

The 2014 Supplemental Budget totals $26.1 million; it accounts for 1.7 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Facilities—Operating program. In total, the department is requesting $27.1 million, which is about a one percent increase from currently funded levels. The proposed budget accounts for 1.8 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**26.114**	**81.1**
Carry Forward Adjustments	0.333	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.016	-
DA Wireless Sites Lease Adjustments	0.167	-
DB Janitorial and Utility Rates	0.149	-
DC Maintenance of System Additions	0.267	0.6
ME Local Government Assessments	0.087	-
Sum of Decision Packages	0.686	0.6
Total 2015-17 Budget Request	**27.133**	**81.7**
Percent Change from 2013-15 Budget	3.9%	0.7%

The Facilities—Operating Program budget request includes the following items:

- $16,000 for an increase in TEF equipment rental as a result of increased fuel costs.
- $167,000 for unavoidable cost increases for wireless radio communication site leases.
- $149,000 for increased janitorial costs and expected increases in electricity costs due to rate and usage increases.
- $267,000 and 0.6 FTEs for system additions. The construction of three new buildings is underway and will be functional for the 2015-17 biennium. Funding is requested for maintenance and operating costs for the three new buildings: 1) the Northwest Region Traffic Management Center (TMC) and Emergency Operations Room; 2) the SR520 Northup Equipment Building; and 3) the Everett Equipment/Material Storage Buildings.
- $87,000 for is requested for property assessments made by local governments for purposes such as emergency medical services, weed control, irrigation, diking, drainage, landscaping, roads, fire districts, and other city and county support.

Program E – Transportation Equipment Fund

Program Description
The Transportation Equipment Fund (TEF) is a revolving fund that provides equipment and related services to department programs. State statute (RCW 47.08.120) gives the department the authority to operate TEF, a non-appropriated, proprietary, internal service program that charges rent to department programs for the use of equipment. In addition to furnishing equipment, the program operates 32 vehicle service and repair facilities and 128 vehicle-fueling stations throughout the state and maintains the department's statewide wireless communications equipment.

The TEF budget is non-appropriated but budgeted. Allotments approved by the Office of Financial Management give the program spending authority to incur costs. Department programs pay rent to TEF from their appropriated funds in proportion to their use of the services, which provides the revenue for TEF's proprietary operations. The 2014 Supplemental Budget for TEF is $145 million.

2015-17 Budget Request
The table below shows the proposed budget for TEF. The only decision package item for TEF is the fuel rate adjustment; the total budget request is for $149.2 million.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**144.973**	**209.3**
Carry Forward Adjustments	**1.594**	**0.0**
Decision Packages		
Nonappropriated Funds		
8F Fuel Rate Adjustment	2.643	0.0
Sum of Decision Packages	2.643	0.0
Total 2015-17 Budget Request	**149.210**	**209.3**
Percent Change from 2013-15 Budget	2.9%	0.0%

Various WSDOT programs use gas and diesel fuel for motor vehicles and equipment to maintain and operate the state highway system. The June 2014 Fuel Price Forecast projects higher fuel costs in the 2015-17 biennium. Additional appropriation authority for programs that use gas and diesel fuel, for $840,000, is requested to cover the associated increase in Transportation Equipment Fund (TEF) equipment rental rates. The department also requests an increase in the agency's non-appropriated TEF spending authority, for $2.6 million, for increased expenditures for fuel for the department and for fuel sold to other agencies.

Program F – Aviation

Program Description
Airports are vital to our state, fueling its economy and providing critical links to the state and national transportation system. The Aviation Division's mission is to enhance the interests of the Washington state aviation system in ways that strengthen our transportation system, economy, and quality of life. The program aims to preserve the state's system of 134 public-use airports, promote the economic value of airports, encourage infrastructure development, manage aviation emergency search-and-rescue operations, and maintain 16 state-operated airports. In addition, the program maintains an aircraft registry, and provides grants and technical assistance to public-use airports for infrastructure improvements, planning, safety, and security.

The 2014 Supplemental Budget totals $10.059 million from the Aeronautics Account for the Aviation program. It accounts for 0.7 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Aviation program. In total, the department is requesting $2.339 million for decision packages, which is an 18 percent increase from currently funded levels. The majority of the request, as noted below, is for federal and private/local spending authority. The proposed budget accounts for 0.8 percent of the department's 2015-17 operating budget.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**10.059**	**10.6**
Carry Forward Adjustments	**(0.525)**	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.002	-
FB Non-State Funds Items	2.010	-
N0 FC Aviation Emergency Services	0.327	1.0
Sum of Decision Packages	2.339	1.0
Total 2015-17 Budget Request	**11.873**	**11.6**
Percent Change from 2013-15 Budget	18.0%	9.4%

The Aviation program budget request includes two significant requests:

- An increase of $2.01 million in non-state spending authority. Additional local funding became available in the summer of 2014 for airport safety inspections and will continue into the 2015-17 biennium ($0.06 million). Additional one-time federal funds are expected for the Aviation System Plan and for pavement rehabilitation at the Methow Valley State Airport ($1.95 million).
- The addition of $0.327 million for the department's Aviation Search and Rescue (ASAR) program to add one staff person to improve capacity, provide necessary coverage for leading air searches, increase time available for community outreach, and to coordinate training; expand and improve ASAR training programs and exercises; and pay additional flight hours to conduct more training and exercises.

Program H – Program Delivery, Management, and Support

Program Description
The Program Delivery, Management, and Support program includes the core functions and activities associated with the highway construction program. The program includes executive management and support activities at headquarters and in the six regions, and the regions' administrative services. These executive management and support services reflect core functions necessary for program delivery, regardless of the size of the highway construction program. The program also includes the department's Environmental Services Office.

The 2014 Supplemental Budget increased program appropriations by $1.453 million to support additional departmental efforts to dispose of surplus property. It is expected that the increased efforts will generate $3 to $5 million in added revenue per-biennium.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Program Delivery, Management, and Support program. In total, the department is requesting $2.9 million, which is an 8.1 percent increase from currently funded levels. The proposed budget accounts for 3.5 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**49.437**	**246.4**
Carry Forward Adjustments	**1.117**	**0.6**
Decision Packages		
8F Fuel Rate Adjustment	0.015	-
N1 HA Reforms Implementation	2.186	5.5
N2 HB Facilities Preservation & Impr	0.673	2.3
Sum of Decision Packages	2.874	7.8
Total 2015-17 Budget Request	**53.428**	**254.8**
Percent Change from 2013-15 Budget	8.1%	3.4%

The Program Delivery, Management, and Support program budget request includes two significant requests:

- $2.2 million for implementing reforms expected to improve agency performance. Additional funding is needed to develop a practical solutions training program and implement least-cost planning and practical design within WSDOT.
- $0.7 million and 2.3 FTEs for sale of surplus properties. Agency request legislation proposes the creation of a new account, the Transportation Facilities Account. All moneys received for surplus property sales must be deposited into the new account. Revenues in the new account will be used to pay the costs of generating revenue, with the remaining funds dedicated to repair and replacement of department buildings. The bill shifts both expenditures and revenue from the MVA to the newly created account. The 2014 supplemental enhancement funding for property sales ($1.75 million and 7.0 FTEs) will be transferred from the Motor Vehicle Account, along with $673,000 base funding to place the cost of selling surplus properties in the new, dedicated account.

Program K – Public/Private Partnerships

Program Description
The Public/Private Partnerships program explores and cultivates opportunities to create public- and private sector partnerships that can help advance transportation projects, programs, and policies. This is accomplished by the following: 1) analyzing and assessing new ideas and possibilities for achieving transportation goals; 2) consulting with and advising agency administrators, project engineers, and elected or appointed officials who seek innovative solutions for transportation issues; 3) assisting businesses that have expertise or resources that the department may need, by explaining state laws, policies and programs, and helping them find a way to do business with the department; and 4) assisting in the development of a project once the value to be gained has been demonstrated.

The 2014 Supplemental Budget totals $0.589 million from Motor Vehicle Account funding. It accounts for 0.04 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Public/Private Partnership program. In total, the department is requesting $1.5 million, which is a 252 percent increase from currently funded levels. The proposed budget accounts for 0.1 percent of the department's 2015-17 operating budget.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**0.589**	**2.0**
Carry Forward Adjustments	**(0.015)**	**-**
Decision Packages		
N3 KA Electric Hwy. Charging Network	1.500	0.5
Sum of Decision Packages	1.500	0.5
Total 2015-17 Budget Request	**2.074**	**2.5**
Percent Change from 2013-15 Budget	252.1%	25.6%

The Public/Private Partnership program budget request includes one item:

- $1.5 million and 0.5 FTEs to expand Washington's electric highway fast charging network by installing nine additional stations located along the Interstate 5 north-south corridor in the Puget Sound Region and the Interstate 90 east-west corridor between Seattle and Spokane.

Program M – Highway Maintenance and Operations

Program Description
The Highway Maintenance and Operations program is responsible for maintaining more than 20,000 lane miles of state highways, over 3,000 bridges, and more than 1,100 state-owned and operated traffic signal systems. In addition, 48 safety rest areas are maintained year round and ten major mountain passes are maintained and kept open throughout the winter months. The program's primary mission is to maintain the highway infrastructure in good working order to keep people and goods moving.

The 2014 Supplemental Budget totals $408.4 million; it accounts for 27.3 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Highway Maintenance Program. In total, the department is requesting $405.5 million, which is about a one percent decrease from currently funded levels. The proposed budget accounts for 26.3 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**408.358**	**1,551.8**
Carry Forward Adjustments	**(4.448)**	**(9.0)**
Decision Packages		
8F Fuel Rate Adjustment	0.713	-
A1 1B Highway Maintenance Reduction	(15.000)	(125.0)
DB Janitorial and Utility Rates	1.072	-
DC Maintenance of System Additions	0.089	0.3
MC Transient Encampment Removal	0.216	1.0
ME Local Government Assessments	1.659	-
MG Oregon Bridge Agreements	0.692	-
MH Damages by Known Third Parties	2.190	10.0
MI Continue Highway Maint. Funding	10.000	9.0
Sum of Decision Packages	1.631	(104.7)
Total 2015-17 Budget Request	**405.541**	**1,438.1**
Percent Change from 2013-15 Budget	-0.7%	-7.3%

The Highway Maintenance budget request includes a number of adjustments:

Highway Maintenance Reduction – To achieve a budget proposal within current resources, the department is proposing Highway Maintenance service reductions of $15.0 million per biennium. While necessary to balance the entire WSDOT budget for 2015-17, this reduction would result in substantially reduced levels of service statewide and would reduce the permanent workforce by approximately 125 employees (10 percent of the workforce). If these cuts are required, the department will first look to achieve these reductions through attrition, followed by reductions in temporary or seasonal positions.

Maintenance, by its function and nature, is performed geographically. Reducing the number of employees will affect WSDOT's ability to deliver maintenance services, which ultimately affects the condition of highway and bridge assets. A growing backlog of preservation needs for highways and bridges threatens our state's freight corridors and local delivery operations. Drivers can expect rougher roads, potential service level changes in rest areas and greater potential for damage to vehicles and sensitive cargo. People will see snow and ice staying on the roadway for longer periods, faded lane striping and signs, lights remaining dark for longer periods and less roadside mowing and litter control. In implementing these reductions, the department will focus on eliminating lower priority activities and preserving levels of service on higher priority routes.

Continue Highway Maintenance Funding – The 2012 Legislature provided appropriations to maintain or increase the highway maintenance level of service. The funding continued at $10 million for the 2013-15 Biennium. The department requests continuation of the funding to avoid reduction of structural bridge repairs, bridge cleaning, pavement repairs and striping work that sustains the safe operation of the highway infrastructure.

Fuel Rate Adjustment – Various WSDOT programs use gas and diesel fuel for motor vehicles and equipment to maintain and operate the state highway system. The June 2014 Fuel Price Forecast projects higher fuel costs in the 2015-17 biennium. Additional appropriation authority for is requested to cover the associated increase in Transportation Equipment Fund (TEF) equipment rental rates.

Janitorial and Utility Rates – Additional funding is requested to pay for increased expenditures for electricity. This request focuses on electricity expenditures in the operation of highway system features (such as highway lighting, traffic signals, urban tunnels, intelligent transportation systems, rest areas, and moveable/floating bridges). Expenditures for electricity have increased due to the addition of new highway infrastructure and rate increases.

Maintenance of System Additions – Appropriation authority is requested for the maintenance of Quarry Road, which was added to the state highway system in 2014 by a transfer from Snohomish County

Oregon Bridge Agreements – Additional appropriation authority is requested to reimburse the Oregon Department of Transportation (ODOT) for the Washington State Department of Transportation (WSDOT) share of increased maintenance costs of bridges over the Columbia River.

Damages by Known Third Parties – When damage to WSDOT property is caused by a third party and the third party who caused the damage is known, the department pursues collection of reimbursement for the cost of the repair from the identified individual. The total cost of repairs is anticipated to be higher in 2015-17 than in the current biennium, based on recent historical trends. Additional appropriation authority is requested to repair damages by known third parties, and for the costs to collect associated reimbursements.

Transient Encampment Removal – State-owned right-of-way along state highways in urban areas are increasingly becoming home to transient encampments that present health and safety hazards for the public and WSDOT workers. Additional appropriation authority is requested to pay for increased expenditures associated with the removal and cleanup of transient encampments.

Local Government Assessments – Additional appropriation authority is requested to pay the cost of local assessments related to state highway rights-of-way. Assessments made by local governments can be levied for things like emergency medical services, weed control, irrigation, diking, drainage, landscaping, roads, fire districts, and other city and county support.

Program Q – Traffic Operations - Operating

Program Description
The Traffic Operations—Operating program maximizes highway system efficiency and promotes the safe use of the transportation system. Functions include operating ramp meters, tunnels, traffic signals, transportation management centers, the incident response program, and providing information to travelers via the internet, the media and by phone. The program provides low-cost operational safety and efficiency projects that include rumble strips, lane restriping, traffic-signal upgrades, signs, illumination, minor intersection realignment, warning devices for wrong-way movements and speed limit changes.

The 2014 Supplemental Budget totals $52.4 million, which is 3.5 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below shows the detail of the department's 2015-17 budget request for the Traffic Operations—Operating program. In total, the department is requesting $53.4 million, which is a two percent increase from currently funded levels. The proposed budget accounts for 3.5 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**52.355**	**236.4**
Carry Forward Adjustments	**0.806**	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.052	-
QA Olympic Region Congestion Mgmt.	0.188	1.0
Sum of Decision Packages	0.240	1.0
Total 2015-17 Budget Request	**53.401**	**237.4**
Percent Change from 2013-15 Budget	2.0%	0.4%

The Traffic Operations—Operating Program budget request includes the following items:

- $52,000 for an increase in TEF equipment rental as a result of increased fuel costs.
- $188,000 and 1.0 FTE to operate the Olympic Region congestion management infrastructure. Approximately $22 million has been invested in traffic congestion management systems on the I-5 Joint Base Lewis-McChord (JBLM) corridor, which will be coming online in 2015. Examples of new devices include added ramp meters, electronic signs for up-to-date travel time information, and electronic hardware that will allow WSDOT to better manage traffic. An Intelligent Transportation System (ITS) operations engineer, is needed to implement and support all operational elements of the added infrastructure. The position would optimize performance and ensure a full return on investment.

Program S – Transportation Management and Support

Program Description
The Transportation Management and Support Program (Program S) consolidates agency-wide executive management and support service functions. Those functions include agency executive administration; agency-wide financial services such as accounting, budget, financial analysis, and forecasting; the equal opportunity office including the Disadvantaged Business Enterprise (DBE) program, communications, government liaison, the agency's risk management and records management offices, and human resources.

The 2014 Supplemental Budget totals $29 million and is two percent of the total WSDOT 2013-15 operating budget.

2015-17 Budget Request
The table below details the department's 2015-17 budget request for Program S. In total, the department is requesting just over $30 million, which is a six percent increase from currently funded levels. Program S remains about two percent of the department's total operating budget request.

2015-17 Budget Detail	Millions $	FTE
2013-15 with 2014 Supplemental	**28.490**	**172.2**
Non-appropriated	0.175	
Carry Forward Adjustments	**0.137**	**(1.0)**
Decision Packages		
8F Fuel Rate Adjustment	0.001	-
FB Non-State Funds Items	0.250	-
N4 SC Transformational Results Initiat.	0.492	1.0
SA DBE Community Engagement	0.288	1.0
SB Website and Social Media Investment	0.589	2.0
Sum of Decision Packages	1.620	4.0
Total 2015-17 Budget Request	**30.247**	**175.2**
Total 2015-17 Budget Request with Non-appropriated	**30.422**	**175.2**
Percent Change from 2013-15 Budget	6.2%	1.7%

The Program S budget request includes three significant requests—DBE Community Engagement, Website Improvements, and Transformation Results Initiative.

- DBE Community Engagement—continue a permanent position originally funded in the 2014 Supplemental specifically tasked with statewide DBE community outreach and coordination with the goals of increasing participation and preparing contractors to work with the department.
- Website Improvements—dedicate website revenue stream and provide an additional investment to right size the agency's website staff, initiate a usability analysis, migrate to a modern content management system, and improve traveler information.

- Transformational Results Initiative—implements a two-phase leadership training program. The first phase will focus on team dynamics and managing large organizations. The second phase will prepare select employees for future executive level positions.

Other requests are the program's share of the agency wide TEF fuel rate increase and a consolidated non-state funds increase.

Program T - Transportation Planning, Data, and Research

Program Description

The Transportation Planning, Data, and Research program (Program T) primarily supports planning activities within the Multimodal Planning Division, as well as Capital Program Development and Management, Budget and Financial Analysis, Public Transportation, Freight Systems, and planning units within WSDOT Regions. Federal "State Planning and Research" (SPR) funds—a two percent set aside of transportation funds coming to Washington, provide over half of the Program T budget and can be used only for federally eligible planning-related activities. Program T provides the data, information, analysis, and research that decision makers need when making transportation system investments. Units supported by Program T collaborate with local government, regional transportation planning organizations, other state agencies, tribal transportation planners, and federal transportation agencies to make efficient use of resources and to provide an integrated transportation system supporting our communities, economy, and environment.

In the 2013-15 transportation budget, Program T had expenditure authority for $49.5 million, which was 3.3 percent of the total WSDOT Operating Budget. The 2014 Supplemental Budget provided the authority to draw down previously existing funds in the Program T budget of $900,000. This authority covered federal planning activities.

2015-17 Budget Request

The table below provides detail of the department's 2015-17 budget request for the Transportation Planning, Data, and Research program. The proposed budget accounts for 3.3 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**49.474**	**186.5**
Carry Forward Adjustments	**(0.552)**	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.008	-
N5 TB Statewide Model Development	2.518	1.0
Sum of Decision Packages	2.526	1.0
Total 2015-17 Budget Request	**51.448**	**187.5**
Percent Change from 2013-15 Budget	4.0%	0.5%

The Transportation Planning, Data, and Research program budget request includes one significant request:

- $2.5 million and 1.0 FTE to purchase and provide on an ongoing basis transportation investment economic impact studies and develop a statewide travel demand forecast model.

Other request is the program's share of the agency wide TEF fuel rate increase.

Program U – Charges From Other Agencies

Program Description
The Charges from Other Agencies program pays for services provided by other state agencies as shown in the following table.

Other Agencies' Services Paid by Program U	
Agency	**Service**
Department of Enterprise Services (DES)	Mail service, leased parking, building maintenance, risk management, personnel services, information technology services, and geographic information services
Consolidated Technical Services	Information technology services
Office of Financial Management	Labor relations, federal liaison, the Office of Chief Information Officer, Human Resources Director – personnel services, the Results Washington program, and the Climate Emission Reduction program
Office of Minority and Women's Business Enterprises	Certification of Disadvantaged Business Enterprises
Secretary of State	Archives and records management
State Auditor's Office	Audit services
Office of the Attorney General	Legal services

The 2014 Supplemental Budget totals $77.7 million and accounts for 5.2 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below shows the detail of the department's 2015-17 budget request for Program U. In total, the department is requesting $76.8 million, which is a one percent decrease from currently funded levels. The proposed budget for Program U accounts for five percent of the department's total proposed 2015-17 operating budget.

Program U – Charges From Other Agencies

2015-17 Budget Detail	Millions $	FTE
2013-15 with 2014 SupplemeMtal	**77.666**	**-**
Carry Forward Adjustments	**(0.710)**	**-**
Decision Packages		
FB Non-State Funds Items	0.100	-
UA Vedor Management Fee	0.138	-
UB ELG Building Lease Savings	(0.353)	-
Sum of Decision Packages	(0.115)	-
Total 2015-17 Budget Request	**76.841**	**-**
Percent Change from 2013-15 Budget	-1.1%	0.0%

The Program U budget request includes $100,000 for increased spending authority for federal funds; $138,000 for DES vendor management fees for fuel contracts; and $353,000 in savings related to refinancing of the Edna Lucille Goodrich (ELG) Building lease.

The Department of Enterprise Services (DES) charges WSDOT Fuel contract management fees for managing two statewide fuel contracts – one for ferries marine fuel, and one statewide contract for Transportation Equipment Fund (TEF) fuel for land-based vehicles and equipment. Appropriation authority provided by the Legislature in the 2013-15 Biennium for fuel contract management fees was one-time, and does not carry forward to the 2015-17 Biennium.

The department proposes an adjustment to appropriations, to account for savings from the refinance of the Edna Lucille Goodrich (ELG) Building, and subsequent reduced charges from the Department of Enterprise Services (DES) for lease payments.

Program V – Public Transportation

Program Description
The Public Transportation program is responsible for developing, implementing, and managing strategies, initiatives, and policies that support alternatives to driving alone. The program provides financial and technical assistance to local jurisdictions and public transportation agencies; and manages the commute trip reduction program, Regional Mobility Grant Program (RMGP), intercity bus programs, and the statewide special needs coordination activity. Public Transportation administers state and federal grants for public and private transportation agencies that serve rural communities, the elderly, and persons with disabilities. This program also provides technical assistance and grants to facilitate the connection and integration of public transportation and the highway system throughout the state, as well as state and federal grants for major employers, local jurisdictions, and activities that include trip reduction, ridesharing, and vanpooling.

In the 2013-15 transportation budget, Public Transportation had expenditure authority of $109.7 million, which was 7.4 percent of the total WSDOT Operating Budget. The 2014 Supplemental Budget increased the Public Transportation budget by $1.9 million. The increased budget funded reappropriation of unfinished regional mobility grant projects from the 2011-13 biennium to the 2013-15 biennium, increased costs of the STAR Pass program, and addressed recent audit findings regarding payroll costs charged to federal funds for administration of state grant programs.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Public Transportation program. In total, the department is requesting $50.5 million, which is a 0.9 percent reduction from the current funding level. The proposed budget accounts for 7.2 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**111.630**	**24.7**
Carry Forward Adjustments	**(51.540)**	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.001	-
VA Oversight of State Grant Programs	0.510	-
VB Regional Mobility Grant Program	40.000	-
VC Regional Mobility Reappropriation	10.000	-
Sum of Decision Packages	50.511	-
Total 2015-17 Budget Request	**110.601**	**24.7**
Percent Change from 2013-15 Budget	-0.9%	0.0%

The Public Transportation program budget request includes three significant requests:

- $510,000 to continue the one-time funding that was provided in the 2014 Supplemental Transportation Budget to address recent audit findings regarding payroll charges to federal funds for administration of state grant programs.

- $40.0 million to continue the RMGP at current funding levels. This request is necessary because the program is zeroed out at carry-forward level each biennium.
- $10.0 million to complete ten RMGP projects which were scheduled for the 2013-15 biennium but have been rescheduled to be completed in 2015-17 due to project delays.

Program X – Ferries Operation and Maintenance

Program Description
The Ferries—Operating program provides for the operation and maintenance of the state's ferry system, which includes 23 ferry vessels, 20 ferry terminals, and a dedicated maintenance facility at Eagle Harbor. The ferry system transports approximately 23 million passengers and 10 million vehicles each year, including passenger and commercial vehicles.

In the 2013-15 Biennium, WSDOT will manage a ferry system that is estimated to collect $337 million in revenue from ferry fares. The program's funding for the 2013-15 Biennium was increased to reflect increased crewing levels on ferry vessels, which was the result of a U.S. Coast Guard review of staffing levels; a return of marine insurance to the department which had been transferred to another state agency; additional compensation from arbitration awards for labor contracts; operation of two new larger Olympic Class ferry vessels (M/V Tokitae and M/V Samish); additional maintenance funding related to a reduced preservation program; liabilities from changes in overtime compensation and employee callback pay; changes in employee pension costs; and other miscellaneous items.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Ferries Operation and Maintenance program. In total, the department is requesting $498.0 million, which is a 3.0 percent increase from currently funded levels. The proposed budget accounts for 32.3 percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**483.525**	**1,707.5**
Carry Forward Adjustments	**4.540**	**(1.0)**
Decision Packages		
5W Fuel Costs	1.451	-
8F Fuel Rate Adjustment	0.020	-
A0 1A WSF Service Reduction	(3.194)	(12.4)
N7 XH WSF Operation Training Initiatives	4.502	21.5
N8 XI Fleet Facility Security Officer	0.178	1.0
XA Credit Card Costs	1.024	-
XF WSF Deck & Engine Employee Mileage	0.754	-
XG Contracted Terminal Agents-Leases	0.262	-
XJ Reservation System Operations	2.302	9.7
XK Olympic Class Vessel Operations	1.281	9.8
XL Marine Insurance	0.397	-
XM Ferries Utilities	0.969	-
Sum of Decision Packages	9.946	29.7
Total 2015-17 Budget Request	**498.011**	**1,736.1**
Percent Change from 2013-15 Budget	3.0%	1.7%

Program X – Ferries Operation and Maintenance

The Ferries Operation and Maintenance program budget request includes the following items:

- $1.5 million is requested for fuel to biennialize the gallons needed for the two new Olympic Class vessels and cover expected fuel price increases. Washington State Ferries consumes approximately 18 million gallons of diesel fuel per-year for the ferries that cross Puget Sound and serve the San Juan Islands and Sidney, BC.
- $0.02 million for a TEF fuel rate adjustment.
- $3.2 million and 12.4 FTEs in service reductions are proposed which would save labor and fuel costs. These cuts are partially offset by lost revenue of $1.1 million, resulting in net savings of $2.1 million per-biennium. The criteria on which the proposed reductions were selected include affecting the fewest riders and considering the ratio of savings to lost revenue.
- $4.5 million and 21.5 FTEs are requested for new and enhanced training for employees who work on ferry vessel employees, at ferry terminals, and at WSF's maintenance facility. The request will build capacity to fill more experienced positions in the fleet, as well as help prepare for replacement of employees who are at or near retirement age.
- $0.2 million and 1.0 FTE is requested for an additional fleet facility security officer in order to ensure that federal, state, and local safety and security requirements are met on ferry vessels and at ferry terminals.
- $1.0 million is requested for increased credit card costs. Customers use credit cards to pay ferry fares, and WSF incurs merchant costs relative to the value of the transactions. Credit card costs are increasing due to higher usage and volumes, and a higher fee rate.
- $0.8 million is requested for additional mileage costs for ferry vessel employees. When employees use their own vehicles to travel to locations other than their regular work location, they receive mileage reimbursement. The number of miles traveled and reimbursed has increased significantly in recent years.
- $0.3 million is requested for terminal leases and for contracted terminal agents. Lease payments occur at four ferry terminals and are subject to annual increases. In addition, contracted terminal agents are used in the San Juan Islands and at Sidney, B.C.; these contracts are subject to annual increases.
- $2.3 million and 9.7 FTEs are requested for resources to implement Phase 2 of reservations system. The request is for additional ferry terminal labor and supervision, additional contracted labor for San Juan Island and Orcas Island, and customer service labor at the WSF call center. The request also includes funding for an operations reservations manager.
- $1.3 million and 9.8 FTEs are requested for continued operation of two new Olympic Class vessels (M/V Tokitae and M/V Samish), which serve on the Mukilteo–Clinton and Anacortes–San Juan Islands ferry routes.
- $0.4 million is requested for marine insurance. The increase is due to the addition of the two new Olympic Class vessels. The insurance for these vessels is more expensive than the insurance on the vessels being retired.
- $1.0 million is requested for utility costs. Utility costs at ferry terminals have risen for several years and the request will bring the budget in line with anticipated costs.

Program Y – Rail-Operating

Program Description
The Rail—Operating program is responsible for planning and implementing rail passenger service, supporting operation of state-sponsored Amtrak service between Vancouver, British Columbia and Portland, Oregon, and maintaining state-owned trains. The state's freight rail program analyzes trends, issues, and potential needs of Washington's freight rail system and administers operations of state-owned rail lines in Eastern Washington.

The 2014 Supplemental Budget totals $46.026 million from a variety of fund sources for the Rail—Operating program. It accounts for 3.1 percent of the department's 2013-15 operating budget.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Rail—Operating program. In total, the department is requesting $1.170 million, which is a six percent increase from currently funded levels. The proposed budget accounts for 3.2 percent of the department's 2015-17 operating budget.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**46.026**	**10.0**
Carry Forward Adjustments	**1.742**	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.002	-
YA New Service for Amtrak Cascades	1.168	-
Sum of Decision Packages	1.170	-
Total 2015-17 Budget Request	**48.938**	**10.0**
Percent Change from 2013-15 Budget	6.3%	0.0%

The Rail—Operating program budget request includes one significant request:

- $1.168 million for costs associated with the expanded service for the final month of the biennium. This additional service is a result of the state's commitment to increase service as part of the receipt of nearly $800 million in federal stimulus funds for High-Speed Intercity Passenger Rail (HSIPR). In addition to service operating costs, the state will have additional responsibility for track maintenance. These costs are also assumed to begin in June 2017.

Program Z – Local Programs-Operating

Program Description
Local Programs—Operating is responsible for the administration of federal and state funds that support city and county transportation systems. Under WSDOT's stewardship agreement with the Federal Highway Administration (FHWA), Local Programs serves as the program manager for all federal aid funds that are used locally to build and improve transportation systems of cities, counties, ports, tribal governments, transit agencies, and metropolitan and regional planning organizations statewide. This program provides program and policy oversight for sidewalks, bike lanes, trails, pedestrian paths, and transit-rider crossing improvements and other non-motorized community connections. This program provides the operating subsidy to reimburse Wahkiakum County for a portion of the operating and maintenance costs deficit for operating the Puget Island-Westport ferry, pursuant to RCW 47.56.720.

2015-17 Budget Request
Funding is provided to cover remaining costs associated with the addition of the longevity step M for classified positions provided during the 2013-15 biennium. Funding is also provided to recognize increases in employee health insurance premiums in each of the next two fiscal years.

The table below provides detail of the department's 2015-17 budget request for the Local Programs. In total, the department is requesting $11.4 million, which is a 1.5 percent increase from currently funded levels. The proposed budget accounts for less than one-percent of the department's 2015-17 operating budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**11.239**	**43.7**
Carry Forward Adjustments	**0.162**	**-**
Decision Packages		
8F Fuel Rate Adjustment	0.003	-
Sum of Decision Packages	0.003	-
Total 2015-17 Budget Request	**11.404**	**43.7**
Percent Change from 2013-15 Budget	1.5%	0.0%

Capital Programs

Capital Programs Budget Overview

The 2015-17 capital budget request totals $3.4 billion and is a 34.7 percent decrease (totaling nearly two billion) from the 2013-15 biennial budget. All capital programs are experiencing decreases in the 2015-17 Biennium. Much of this reduction was expected, as the department is moving closer to the completion of the projects that were supported by the 2003 and 2005 revenue packages.

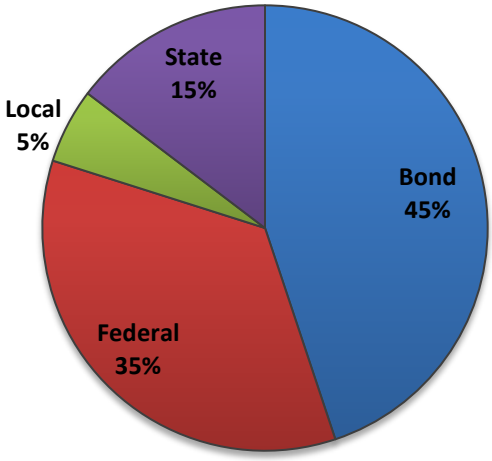
The following table summarizes the 2013-15 capital programs budget, carry forward level adjustments, which are technical adjustments to zero out the programs, and the proposed 2015-17 levels. The specific projects are detailed in the Transportation Executive Information System (TEIS).

Pgm Code	Program Title	2013-15 With 2014 Supplemental Budget	Carry Forward Adjustments	Incremental Decision Packages	Total 2015-17 Budget	Percent Change from 2013-15
D	Facilities--Capital	23.859	(23.859)	6.141	6.141	(74.3%)
I	Highway Improvements	3,572.584	(3,572.584)	2,271.622	2,271.622	(36.4%)
P	Highway Preservation	718.463	(718.463)	466.314	466.314	(35.1%)
Q	Traffic Operations--Capital	14.267	(14.267)	12.229	12.229	(14.3%)
W	Ferries--Capital	379.013	(379.013)	262.000	262.000	(30.9%)
Y	Rail--Capital	484.897	(484.897)	380.924	380.924	(21.4%)
Z	Local Programs--Capital	75.482	(75.482)	42.694	42.694	(43.4%)
	Total	**5,268.565**	**(5,268.565)**	**3,441.924**	**3,441.924**	**(34.7%)**

Capital Programs Budget Overview (continued)

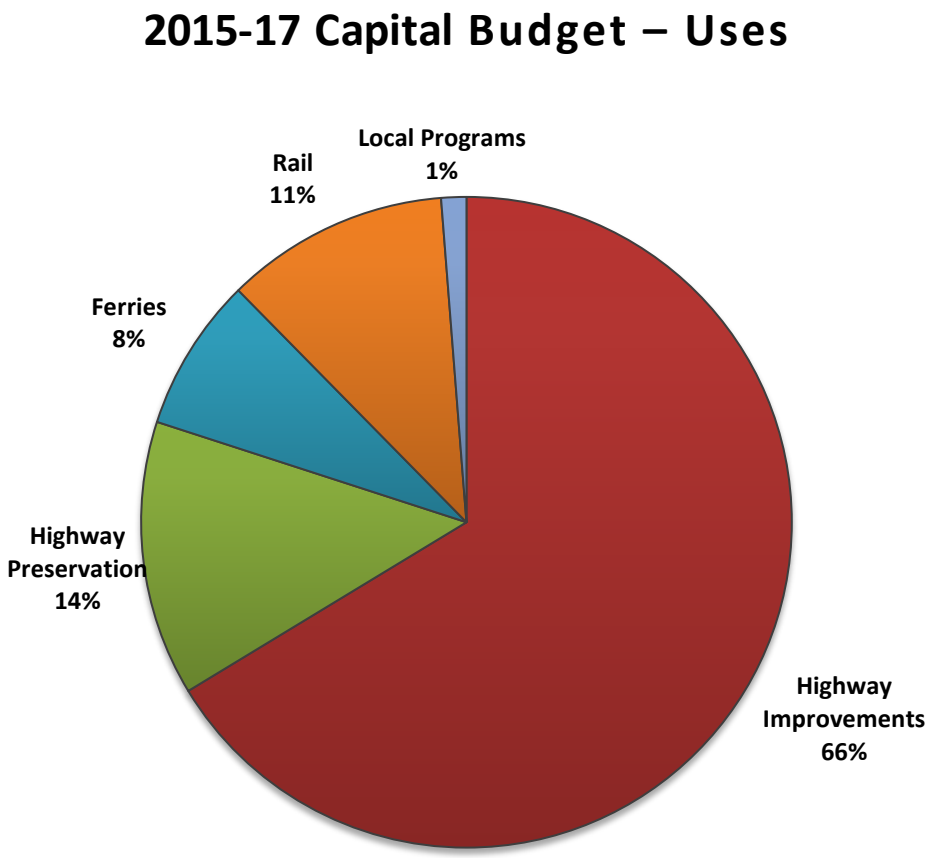
The chart below shows the proposed 2015-17 capital budget by fund source. The majority of the funding is from state bond proceeds and federal sources are the second largest contributor.

2015-17 Capital Budget - Sources



Capital Programs Budget Overview (continued)

The chart below illustrates the program-specific relative size of the capital budget proposal. The largest capital program is Program I-Highway Improvements at 66 percent of the total capital request. Two programs, Facilities-capital and Traffic Operations-capital, combined are less than one percent of the total and are omitted from the chart below.



Program D – Facilities-Capital

Program Description
The Facilities—Capital program includes replacement, preservation, and improvements to the department's buildings and related sites. The program focuses on providing a safe, and efficient work environment and preserving the department's assets. The program performs preservation projects such as roof replacements, site environmental cleanups, and other code compliance requirements for facilities.

The 2014 Supplemental Budget totals $23.9 million, which is 0.5 percent of the department's 2013-15 capital budget.

2015-17 Budget Request
The table below shows the detail of the department's 2015-17 budget request for the Facilities—Capital Program. In total, the department is requesting $6.1 million which is a 74 percent decrease from currently funded levels. The proposed budget accounts for 0.2 percent of the department's 2015-17 capital budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**23.859**	**12.3**
Carry Forward Adjustments	**(23.859)**	**(12.3)**
Decision Packages		
AA Capital Projects	6.141	7.5
Sum of Decision Packages	6.141	7.5
Total 2015-17 Budget Request	**6.141**	**7.5**
Percent Change from 2013-15 Budget	-74.3%	-39.0%

The Facilities—Capital Program budget request includes $6,141,000 and 7.5 FTEs for administrative support, Olympic Region site acquisition debt service payments, and preservation and improvement minor works projects. Projects are detailed in the TEIS List.

Program I - Highway Improvements

Program Description
The Highway Improvements program has projects that increase the capacity of state highways to move vehicles and freight, that correct highway safety deficiencies, and reduce environmental impacts resulting from highway construction projects.

The 2014 Supplemental Budget made technical adjustments to the projects included in the 2013 Supplemental Transportation Budget. The budget maintains forward momentum on mega-projects and projects of regional significance. The supplemental budget included proposed schedule updates, technical corrections and re-appropriation assumptions to preserve the capital construction project schedule for projects such as the I-405 Corridor and I-5 Tacoma HOV projects. In addition, full appropriation authority is provided for the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the State Route (SR) 520 Bridge Replacement and HOV project.

2015-17 Budget Request
The Highway Improvements program budget is over $2.7 billion, with $381.9 million from federal sources. The 2015-17 Budget continues progress on certain mega projects and projects of regional significance, such as the Tacoma I-5 HOV, I-90/Snoqualmie Pass, SR 99/Alaskan Way Viaduct Replacement, SR 395 North Spokane Corridor, and SR 520 Bridge Replacement.

The table below provides detail of the department's 2015-17 budget request for the Improvements program. In total, the department is requesting $2.3 billion, which is a 36.4% decrease from currently funded levels. The proposed budget accounts for 66 percent of the department's 2015-17 capital budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 With 2014 Supplemental	**3,572.584**	**1,320.0**
Carry Forward Adjustments	**(3,572.584)**	**(1,320.0)**
Decision Packages		
AA Capital Projects	2,271.622	1,205.0
Sum of Decision Packages	2,271.622	1,205.0
Total 2015-17 Budget Request	**2,271.622**	**1,205.0**
Percent Change from 2013-15 Budget	-36.4%	-8.7%

Program P – Highway Preservation

Program Description
The Highway Preservation program preserves the structural integrity of the state's highway system. Projects include preservation or rehabilitation of existing roadway pavements, bridges, and other highway structures and facilities.

The 2014 Supplemental Budget makes technical adjustments to the projects included in the 2013 Supplemental Budget. The Supplemental Budget includes proposed schedule updates, technical corrections and re-appropriation assumptions to preserve the capital construction project schedule for highway preservation projects such as the SR 303/Manette Bridge, the SR 29/Ebey Slough Bridge, and the SR 21/Keller Ferry Boat Replacement.

2015-17 Budget Request
The Highway Preservation program's budget is $468 million, with over $323 million coming from federal funds.

The Roadway Preservation subprogram's budget is approximately $233 million, which includes $80.6 million for concrete roadways, $91.7 million for asphalt roadways, and $60.8 million for chip-seal roadways. The total for bridge structure projects is $108 million. These projects address seismically vulnerable bridges, bridge elements in need of repair or replacement, as well as completing replacement of the existing Keller Ferry boat, which has reached the end of its service life.

The table below provides detail of the department's 2015-17 budget request for the Preservation program. In total, the department is requesting $466.3 million which is a 65 percent decrease from currently funded levels. The proposed budget accounts for 13.5 percent of the department's 2015-17 capital budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**718.463**	**880.0**
Carry Forward Adjustments	**(718.463)**	**(880.0)**
Decision Packages		
AA Capital Projects	466.314	795.0
Sum of Decision Packages	466.314	795.0
Total 2015-17 Budget Request	**(252.149)**	**795.0**
Percent Change from 2013-15 Budget	-64.9%	-9.7%

Program Q – Traffic Operations - Capital

Program Description
The Traffic Operations—Capital program delivers Intelligent Transportation System (ITS) projects that improve commercial vehicle operations, traveler information, and safety and congestion relief by applying advanced technology to transportation systems. Examples include traffic cameras and flow maps used in local news channels and the department's web site; Variable Message Signs (VMS) and Highway Advisory Radios (HAR) used to provide motorists with important information about congestion, incidents, and travel time; and Commercial Vehicle Information System and Networks (CVISN) that use weigh-in-motion scales and transponder readers to electronically screen trucks as they approach a weigh station.

The 2014 Supplemental Budget totals $14.3 million and accounts for 0.3 percent of the department's 2013-15 capital budget.

2015-17 Budget Request
The table below shows the detail of the department's 2015-17 budget request for the Traffic Operations—Capital Program. In total, the department is requesting $12.2 million which is a 14.3 percent decrease from currently funded levels. The proposed budget accounts for 0.4 percent of the department's 2015-17 capital budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**14.267**	**10.3**
Carry Forward Adjustments	**(14.267)**	**(10.3)**
Decision Packages		
AA Capital Projects	12.229	10.3
Sum of Decision Packages	12.229	10.3
Total 2015-17 Budget Request	**12.229**	**10.3**
Percent Change from 2013-15 Budget	-14.3%	0.0%

The Traffic Operations—Capital Program budget request includes $12,229,000 and 10.3 FTEs for Intelligent Transportation System (ITS) projects that improve commercial vehicle operations, traveler information, and safety and congestion relief by applying advanced technology to transportation. Projects are detailed in the TEIS List.

Program W – Ferries-Capital

Program Description

The department makes capital investments in the ferry system through the Ferries—Capital program. The program includes preserving and improving existing ferry terminals and vessels and building new terminals and vessels. Capital funds are allocated for preservation and improvement projects to three major activity categories: terminals, vessels, and emergency repairs. The program is responsible for preserving and improving 20 terminals, 22 vessels, and the Eagle Harbor Maintenance Facility. A preservation project extends the life of an existing terminal or vessel without significantly changing its use. Projects are based on the program's life cycle cost model and focus on refurbishment or replacement of the systems making up the terminal or vessel. Ferry improvements are based on the Ferries Long-Range Plan and provide the infrastructure to manage demand for ferry service more efficiently and effectively, provide ferry riders with connections to alternative modes of travel, address customer need and service delivery requirements, generate revenue and cost savings, and increase the capacity of the ferry system to move people and vehicles. Finally, investments are made in new terminals and vessels – for example, the relocation of the Mukilteo Terminal and acquisition of 64 and 144-car ferries.

The 2013 Legislature appropriated $291 million to the WSF Construction Program for use in the 2013-15 Biennium, including $54 million for terminals, $233 million for vessels, and $4 million for emergency repairs. This funding included $144 million to complete construction of two new 144-car ferries (the MVs Tokitae and Samish), $25 million for design of major projects at the Mukilteo and Seattle Terminals, $15 million for terminal preservation, and $76 million for vessel preservation.

The 2014 Legislature supplemented the original 2013-15 appropriations with an additional $88 million for a new funding total of $379 million, including $50 million to start construction of a third 144-car ferry; $9 million for the Mukilteo and Seattle Terminals; $15 million for other terminal projects; and $13 million for other vessel projects, largely for carry forward work from the 2011-13 biennium.

2015-17 Budget Request

The table below provides detail of the department's 2015-17 budget request for the Ferries—Capital program. In total, the department is requesting $262 million, which is a 31 percent decrease from currently funded levels. The proposed budget accounts for 7.9 percent of the department's 2015-17 capital budget request.

Program W – Ferries-Capital

2015-17 Budget Detail	Millions $	FTE
2013-15 with 2014 Supplemental	**379.013**	**126.0**
Carry Forward Adjustments	**(379.013)**	**(126.0)**
Decision Packages		
AA Capital Projects	261.675	126.0
N6 WA Unified Customer Accounts	0.325	-
Sum of Decision Packages	262.000	126.0
Total 2015-17 Budget Request	**262.000**	**126.0**
Percent Change from 2013-15 Budget	-30.9%	-

The Ferries—Capital program budget request includes two significant requests:

- $261.7 million and 126.0 FTEs for Capital Projects, including $127.4 million for terminals, $130.6 million for vessels and $4.0 million for emergency repairs. The request includes $73.0 million for completion of the third 144-car vessel. Also, there is $48.3 million for preservation of existing vessels, including projects exceeding $5 million for the MVs Hyak, Kaleetan, Sealth, and Spokane. With respect to terminals, the 2015-17 budget request asks for $41.9 million for the Seattle Terminal project and $37.1 million for the Mukilteo Terminal project. This is $72.2 million less for the 2015-17 biennium than assumed in the last legislatively-approved project list and is due to deferral of work in order to fit within funding constraints. Additionally, the budget request asks for $32.8 million to preserve other terminals.
- $0.325 million for combined customer service. Washington State Ferries (WSF) is currently operating with a ticketing system that is inefficient and past its useful life. Pairing the development of a replacement system with the Tolling customer service center (CSC) development currently underway offers a unique chance to unify service and have one account-based system for all customers of the Toll Division and Ferries. Appropriation authority is requested for in-house staff and consultants to gather requirements and develop a Request for Proposals (RFP) for a ticketing system that would be integrated with the Tolling system.

Program Y – Rail - Capital

Program Description
The Rail—Capital program provides support, administration, coordination, and planning for both passenger rail and freight rail improvements. The program is responsible for implementing investments to maintain and improve operation of the state-sponsored rail passenger program, track improvements, and acquisition of passenger train equipment. The program also provides grants for investments to preserve and improve freight rail service in the state.

The 2014 Supplemental Budget totals $484.9 million from a variety of fund sources for the Rail—Capital program. Of the $484.9 million, $397.8 million was provided from the federal American Recovery and Investment Act (ARRA) for Passenger High Speed Rail grant projects. The budget accounts for 9.2 percent of the department's 2013-15 capital budget.

2015-17 Budget Request
The table below provides detail of the department's 2015-17 budget request for the Rail—Capital program. In total, the department is requesting $380.924 million which is a 21 percent decrease from the current biennium's budget. The proposed budget accounts for 11.1 percent of the department's 2015-17 capital budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 With 2014 Supplemental	**484.897**	**29.0**
Carry Forward Adjustments	**(484.897)**	**(29.0)**
Decision Packages		
AA Capital Projects	380.924	29.0
Sum of Decision Packages	380.924	29.0
Total 2015-17 Budget Request	**380.924**	**29.0**
Percent Change from 2013-15 Budget	-21.4%	0.0%

The largest portion of the Rail—Capital program budget request is $365.8 million in requested spending authority for the 2015-17 portion of the nearly $800 million received in federal ARRA stimulus funds. These projects will be completely constructed before the end of the biennium. Other examples of requests are $5.0 million for the Freight Rail Investment Bank (FRIB) program and $3.8 million for the Freight Rail Assistance Projects (FRAP).

Program Z – Local Programs-Capital

Program Description
Local Programs—Capital administers the local agency federal aid program that provides approximately $500 million in federal financial assistance and approximately $39 million in state funds to cities, counties, ports, tribal governments, transit systems, and metropolitan and regional planning organizations statewide for approximately 1,100 local transportation improvement projects.

2015-17 Budget Request
Funding is provided for the Pedestrian and Bicycle/Safe Routes to School grant program that supports safety projects such as pedestrian paths, bicycle paths, and sidewalks, which provide safe routes from residential areas to schools and transit on state highways, city streets, and county roads.

This budget continues funding for local priority projects, including SR 908 – Pavement Rehabilitation, South Wapato and McDonald Rd Intersection Safety, SR 522 Improvements/61st Ave NE and NE 181st Street, SR 432 Rail Realignment and Highway Improvements, and the Lummi Tribe – Slater Rd Bridge project.

2014 Supplemental Budget
In the 2014 Supplemental Budget, the Freight Mobility Strategic Investment Board (FMSIB) federal funds were included in WSDOT's Local Programs budget. The department will continue to act as the contract administrator for FMSIB.

The table below provides detail of the department's 2015-17 budget request for Local Programs' - Capital program. In total, the department is requesting $42.7 million which is a 43.4% decrease from currently funded levels. The proposed budget accounts for 1.2% of the department's 2015-17 capital budget request.

2015-17 Budget Detail	**Millions $**	**FTE**
2013-15 with 2014 Supplemental	**75.482**	**-**
Carry Forward Adjustments	**(75.482)**	**-**
Decision Packages		
AA Capital Projects	42.694	-
Sum of Decision Packages	42.694	-
Total 2015-17 Budget Request	**42.694**	**-**
Percent Change from 2013-15 Budget	-43.4%	**-**

Sources and Uses of Funds

Sources and Uses of Funds

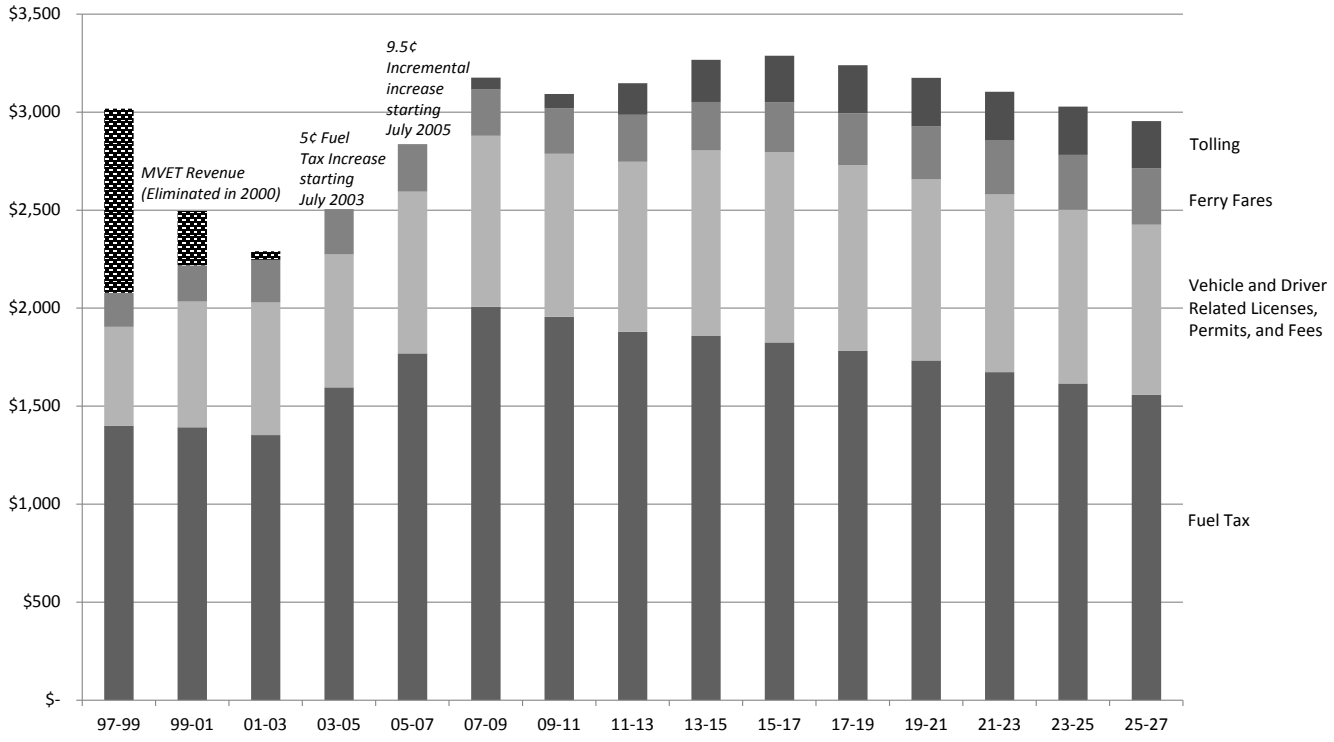
The funds available for transportation purposes can be classified into four categories: state revenues (including taxes and fees), bonds, federal funds, and local funds. By statute, a portion of the revenues collected are transferred to cities and counties for their transportation needs. The remaining funds are available to be appropriated by the Legislature to fund WSDOT and other state transportation agencies.

STATE TRANSPORTATION REVENUE SOURCES

The major sources of state revenue supporting transportation expenditures come from Motor Vehicle Fuel Taxes (MVFT), licenses, permits, fees, ferry fares, and tolls. Tolling, though not a major revenue source, is playing a larger role in transportation funding as the Legislature increases the number of transportation facilities that are tolled. Currently, there are three facilities that are tolled, the Tacoma Narrows Bridge, SR 167 High Occupancy Toll Lanes, and SR 520 Floating Bridge. Revenues from tolling these facilities are deposited into state treasury accounts as directed by law and are used for operations, maintenance, and repair of the toll facilities as well as debt service reimbursement. The chart below represents the major sources of revenues collected by the state before any distributions have been made. All revenue has been set in 1998 constant dollars for comparative purposes.

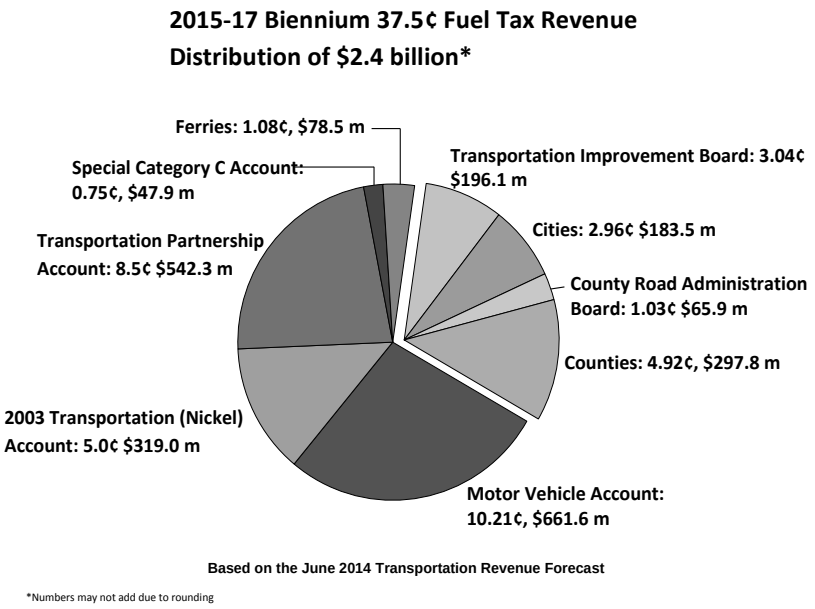
Major Sources of Transportation Revenue • Historical and Projected

In 1998 Constant Dollars • Dollars in Millions



MOTOR VEHICLE FUEL TAX

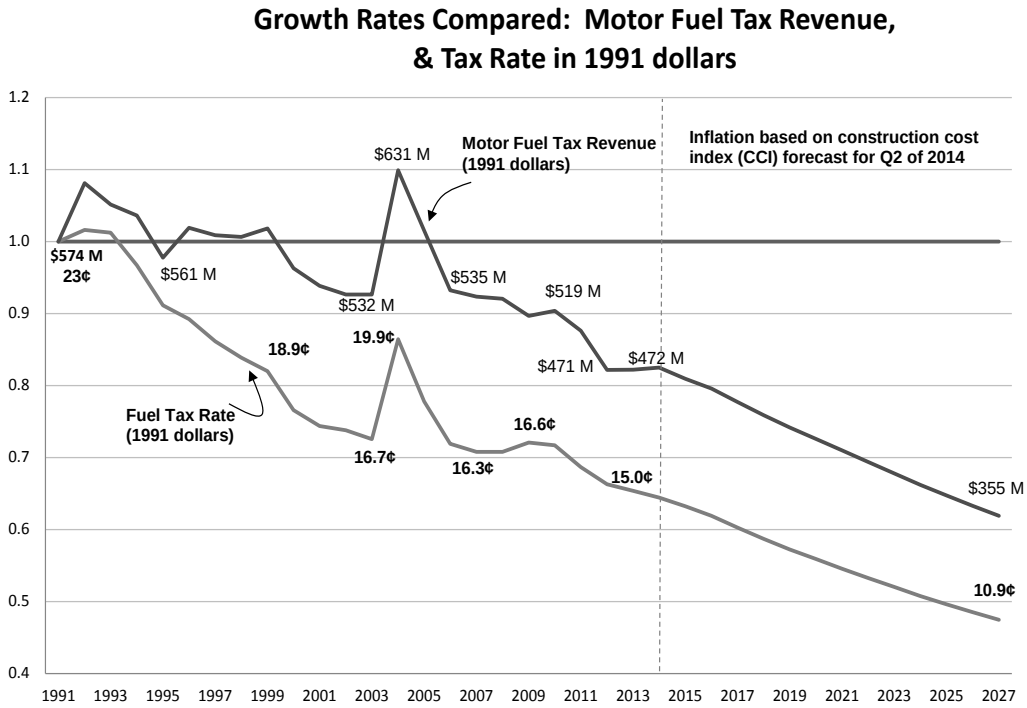
Since 2003 there have been two increases in the motor vehicle fuel tax. The 2003 Legislature increased the fuel tax rate by 5¢ as part of the 2003 Transportation (Nickel) Funding Package. This increase brought the state fuel tax to 28¢ per gallon. The 2005 Legislature increased the fuel tax by 9.5¢ per gallon incrementally, from 2005 to 2008 as part of the 2005 Transportation Partnership Funding Package with the state retaining 8.5¢ and cities and counties receiving the other 1¢. This results in the current rate of 37.5¢.



Revenues from both funding packages were designated for specific projects identified by the Legislature. The 18th Amendment of the Washington State Constitution requires that motor fuel tax revenue be used for highway purposes, which include expenditures by the Washington State Ferries.

Based on the June 2014 revenue forecast, the motor vehicle fuel tax is expected to provide $2.4 billion in revenue between July 2015 and June 2017. WSDOT's budget is supported by about 25.5¢ of the 37.5¢ fuel tax, less the amount needed to pay outstanding debt service. The remaining portion (approximately 12¢) goes to local governments for use on city streets and county roads.

Because the fuel tax is levied on a volume basis rather than on dollar value, changes in consumption patterns can affect receipts regardless of the price of the fuel. For example, if price increases reduce demand for fuel, tax receipts will fall even if the total value of the fuel sold goes up. This chart shows how inflation affects the ability to fund transportation systems.



As inflation has eroded the purchasing power of the fuel tax, the Washington State Legislature has raised taxes to address mobility and preservation needs. The value of the 23¢ dips to 16.7¢ in 2003, at which time the Legislature passed a 5¢ increase in the fuel tax. As mobility and preservation needs increased, a second fuel tax was adopted in 2005, but was phased in over a four year period (3¢ in 2005, 3¢ in 2006, 2¢ in 2007, and 1.5¢ in 2008). The value of the current fuel tax rate is projected to be worth 10.9¢ in 2027.

DISTRIBUTION OF 37.5¢ MOTOR VEHICLE FUEL TAX

The fuel tax (gasoline and diesel) is distributed to various state accounts and local governments for use on highways, roads and streets in Washington. In 1991 the fuel tax was increased to 23¢ a gallon. The 23¢ was distributed to cities, counties, several grant programs administered by WSDOT and smaller state transportation agencies. When the Nickel Funding Package was passed in 2003, WSDOT retained all of the proceeds which are used for projects identified by the Legislature. In 2005 the fuel tax was raised incrementally over a four year period for a total increase of 9.5¢ a gallon. Cities and counties each receive a half cent and WSDOT retains 8.5¢. All of the proceeds received by WSDOT are used for activities and projects specified by the Legislature. Based on the June 2014 Transportation Revenue Forecast, it is projected that each penny of fuel tax generates approximately $32 million dollars per year.

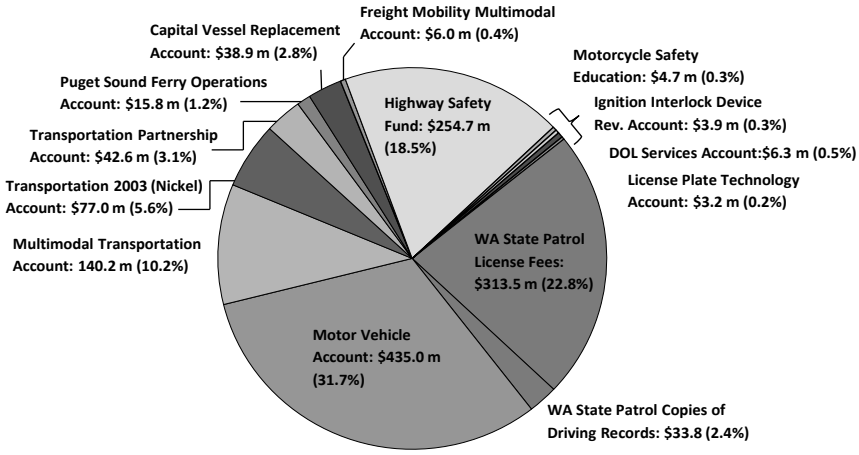
				WSDOT	Cities	Counties	Local Governments *
Pre-2003 Base	*1991 increased to:*	*23.0¢/gal*	=	*12.04¢*	*2.46¢*	*4.43¢*	*4.07¢*
2003 Nickel Pkg.	*2003 increased by:*	*5.0¢/gal*	=	*5.00¢*	-	-	-
	2003 New Rate:	***28.0¢/gal***	=	***17.04¢***	***2.46¢***	***4.43¢***	***4.07¢***
2005 Transportation Partnership	*2005 increased by:*	*3.0¢/gal*	=	*2.50¢*	*0.25¢*	*0.25¢*	-
	2006 increased by:	*3.0¢/gal*	=	*2.50¢*	*0.25¢*	*0.25¢*	-
	2007 increased by:	*2.0¢/gal*	=	*2.00¢*	-	-	-
	2008 increased by:	*1.5¢/gal*	=	*1.50¢*	-	-	-
	2008 New Rate:	***37.5¢/gal***	=	***25.54¢***	***2.96¢***	***4.93¢***	***4.07¢***
				(3.88¢)	*Used to pay bond debt service on state highway and ferry projects funded by the pre-2003 base portion of the gas tax.*		
				(13.50¢)	*Used to fund transportation construction and pay bond debt service on 2003 Nickel and 2005 Partnership projects*		
				8.16¢	*Remains for **maintenance and operations**, as well as, **preservation, safety improvements** and **congestion relief** projects for state highways and ferries.*		

*Grants for local governments administered through Transportation Improvement Board (TIB) and County Road Administration Board (CRAB)

LICENSES, PERMITS AND FEES

Licenses, permits, and fees are the second largest source of revenue for transportation. These funds primarily come from new and renewal vehicle registration fees and license fees for cars and trucks based on weight. Other fees include vehicle inspection fees, title fees, and special permits. The 2014 Legislative added four new fees (E2SHB 1129) and modified three other fees (ESSB 5785). In the 2015-17 biennium, licenses, permits, and fees are expected to generate approximately $1.4 billion. Forty-six percent of those fees go to accounts administered by WSDOT.

2015-17 Biennium License, Permits & Fees Revenue Distribution $1.4 billion



MOTOR VEHICLE FUEL TAX BONDS

Bond financing is an important component for capital program. This funding instrument obligates a portion of the state tax revenues collected for debt service, making them unavailable for cash financing of projects. Bonds do not create new funds, but instead allow funds to be available for projects sooner. Most state transportation bonds are referred to as "double-barreled" bonds. They are obligation bonds secured by both the full faith and credit of the state and the motor vehicle fuel tax. Debt service is paid directly from motor vehicle fuel tax receipts.

Bond Sale History, Current Plan and Remaining Bonding Authority - WSDOT's 2015-17 Budget Proposal

dollars in millions

Bond Authorization (Authorization based on Par Values)	Total Authorization	Remaining Authorization* as of June 30, 2013	WSDOT's Assumed 2013-15 Bond Proceeds	*WSDOT's Budget Proposed Bond Sale Plan for 2015-17*	WSDOT Bond Sale Plan 2017-19 thru 2023-25	Remaining Authorization as of June 30, 2025
Referendum 49 Bonds *RCW 47.10.843*						
State and Local Highway Improvements	$1,900.0	$101.9	$48.8	*$26.6*	$15.0	$11.5
Transportation 2003 (Nickel) Account RCW 47.10.861						
Highway Improvements (I)	$3,200.0	$571.3	$202.2	*$205.0*	$158.0	$6.1
Multimodal Bonds (GO Bonds) *RCW 47.10.867*						
Multimodal Transportation Projects	$249.5	$38.1	$0.0	*$0.0*	$34.0	$4.1
Transportation Partnership Account *RCW 47.10.873*						
Highway Improvements (I)	$5,300.0	$2,709.3	$431.2	*$920.0*	$453.6	$904.5
Special Category C *RCW 47.10.812*						
Highway Improvements (I)	$600.0	$225.8	$0.0	*$0.0*	$0.0	$225.8
Subtotal		*$3,646.4*	*$682.2*	*$1,151.6*	*$660.6*	*$1,152.0*
SR 520 Floating Bridge Bonds *RCW 47.10.879*						
SR 520 Floating Bridge Bonds - State	$1,650.0	$630.8	*$0.0*	*$110.9*	$0.0	$234.0
SR 520 Floating Bridge Bonds - GARVEE			*$285.9*	*$0.0*	$0.0	
SR 520 Floating Bridge Bonds - TIFIA*	$300.0	$300.0	*$195.2*	*$104.8*	$0.0	$0.0
Total		$4,577.2	$1,163.3	*$1,367.3*	$660.6	$1,386.0

Bonds sold and bond sale plans reflect par amounts.

**The agreement for the TIFIA loan (concidered part of the bond authorization) was signed in October 2012.*

The use of bond financing for transportation projects follows a rigorous legal process. The Legislature must enact a statute authorizing the sale of bonds for a specific purpose, and then appropriate the bond sale amount each biennium before the proceeds can be spent. Bonds are sold through the State Finance Committee.

GENERAL OBLIGATIONS BONDS

The 2003 and the 2005 Transportation Funding Packages are dependent on bond financing. Ultimately the motor vehicle fuel tax component for both of these packages will be completely leveraged to pay debt service. The 2003 Transportation Funding Package contained two bond authorizations, one for Motor Vehicle Fuel Tax General Obligation (MVFT GO) bonds, and one for State General Obligation (GO) bonds. The 2005 Transportation Funding package contained a motor vehicle fuel tax bond authorization. The proceeds from the motor vehicle fuel tax bonds will be used to fund highway projects. The proceeds from the State GO bonds are to be used to fund rail, ferry terminals, and local road projects.

BONDS FOR THE SR 520 CORRIDOR

In 2009, the Legislature authorized $1.95 billion in bonds to support SR 520 Corridor projects. The Department's 2015-17 Budget Proposal assumes appropriation authority will be provided for the remaining bond authorization. The Bond Sale History table above displays the appropriated bond sales for 2015-17 to support the proposed budget through the 2023-25 biennium.

In October 2011, the State of Washington issued $518,775,000 Motor Vehicle Fuel Tax General Obligation Bonds (SR 520 Program – Toll Revenue), Series 2012C, for the purpose of providing funds to pay and reimburse state expenditures for a portion of the SR 520 Floating Bridge and Eastside Project. The Series 2012C Bonds are general obligations of the state and, as provided by the Series 2012C Bond Resolution, the full faith, credit and taxing power of the state are pledged irrevocably to the payment of general

obligation bonds. The Series 2012C Bonds are first payable from Toll Revenue and Motor Vehicle Fuel Taxes. Bonds issued under the Series 2012C Bond Resolution have a right, pledge and preference to payment from Toll Revenue in the following order of priority: (1) First Tier Bonds, (2) Second Tier Bonds, (3) Third Tier Bonds, and (4) Fourth Tier Bonds. The Series 2012C Bonds are issued as Third Tier Bonds with respect to Toll Revenue.

In October 2012, the State of Washington issued a Transportation Infrastructure and Innovation Bond, which represented a draw down loan from the United States Department of Transportation's Transportation Infrastructure Finance and Innovation Act (TIFIA) program in the amount of $300,000,000 to be reimbursed from toll revenue. WSDOT expects to begin to draw on this loan in the fall of 2014. The Bonds are "toll revenue" bonds under the Bond Act that are payable solely from toll receipts. Principal and interest payments begin December 1, 2016, payable every six months through June 1, 2051.

Grant Anticipation Revenue Vehicles (GARVEE) bonds are securities issued to fund certain specific eligible large transportation projects that are eligible for reimbursement from the Federal government. The State of Washington has issued two series of GARVEE bonds: $500 million (Series 2012F) in June 2012 and $286 million series (Series 2014C) in September 2013. Both series are payable from and secured solely by pledged federal aid and do not carry the state's general obligation pledge. Proceeds from the two series were used to finance a portion of the construction costs of the SR 520 Corridor Program. This is the only program for which the Legislature has authorized the issuance of GARVEE bonds.

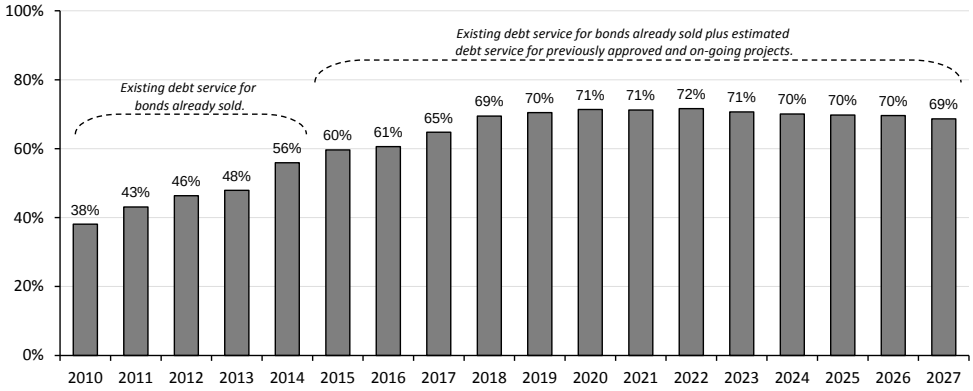
DEBT SERVICE

The following chart displays the percent of debt service on the state's share of the base 23¢ per gallon fuel tax (12.5¢), the addition in 2003 of 5¢ per gallon fuel tax, and the state's 8.5¢ portion of the 9.5¢ per gallon fuel tax added in 2005. Both the 2003 and the 2005 fuel tax increases were designed to be fully leveraged with most of the revenue from the two increases planned for debt service on bonds to pay for specific projects. Of the 37.5¢ fuel tax paid per gallon, 18¢ is projected to be used to pay debt service (4¢ of the 23¢, 5¢ of the Nickel, and 8.5¢ of the 9.5¢). Debt service for the Tacoma Narrows Bridge Bonds and the SR 520 Corridor Project Bonds are not included in the following chart. Although backed by the motor fuel tax, debt service for the SR 520 Series 2012C bonds and the bonds issued for the Tacoma Narrows Bridge are paid from toll revenue.

Debt Service as a Percent of the State's Overall Share of the Fuel Tax

State Share 12.04¢ + 5¢ + 8.5¢ = 25.5¢

Debt Service shown below reflects principal and interest payments due on outstanding debt as well as estimated debt service on new bonds to finance on-going and previously approved projects. The State share of the fuel tax includes: 12.04¢ of the base 23¢ tax. The 2003 Nickel fuel tax (5¢), and the state share of the 2005 Transportation Partnership fuel tax (8.5¢).



State motor fuel taxes include distributions to the Motor Vehicle Account, Puget Sound Capital Construction Account, Puget Sound Ferry Operations Account, Special Category C Account, the 2003 Transportation Account, and the Transportation Partnership Account.

Excludes debt service on tolled facilities, which are paid or reimbursed by tolls.

FERRY FARES

Washington State Ferry fares and other miscellaneous ferry revenues are used for ferry operations. Ferry fare revenues are assumed to include 2.5 percent annual fare increases each October from 2014 to 2021, rounded up to the nearest nickel. Ferry fares and miscellaneous ferry revenues are augmented by direct distributions from the motor vehicle fuel tax and licenses, permits, and fees revenue, as well as transfers from other transportation accounts to round out the ferry capital and operating budgets. The Legislature enacted a 25¢ per passenger fee in 2011 to help with the funding of a new 144 car ferry vessel. Ferry fares are set by the Transportation Commission.

TOLL REVENUES

Toll revenues are used for costs that contribute directly to the financing, operation, maintenance, management, and necessary repairs of the tolled facility. Toll rates are set by the Transportation Commission. In the 2015-17 biennium, Washington State will collect tolls on three WSDOT facilities:

1. Tacoma Narrows Bridge
2. SR 520 Program
3. Project SR 167 High-Occupancy Toll Lanes (the department will request legislative action to allow continued tolling)

LOCAL FUNDS

The department performs work on the state highway system at the request of local governments. In most instances, local governments reimburse the state for all or a part of the costs.

FEDERAL FUNDS

The federal government provides significant financial assistance to Washington State for transportation programs. Most federal assistance is authorized through multi-year federal-aid highway acts. On July 6, 2012, President Obama signed into law a new $105 billion transportation authorization bill, Moving Ahead for Progress in the 21st Century Act ("MAP-21") that will govern federal transportation spending and policy through September 2014. On August 8, 2014 President Obama signed into law the Highway and Transportation Funding Act of 2014, a $10.8 billion temporary funding bill for highway and transit construction. This funding bill will keep the Highway Trust Fund solvent through May 2015 and extends MAP-21 programs and policies from October 1, 2014 to May 31, 2015.

Major provisions of MAP-21 include:

- Funding was authorized for two full fiscal years plus the three remaining months FFY 2012.
- Nationwide, $105 billion in total was provided for FFY 2013 and FFY 2014.
- Extends the Highway Trust Fund and tax collections through FFY 2016 – 2 years beyond MAP-21's reauthorization period.
- Guarantees 95 percent return to Washington on Highway Trust Fund contributions.

The baseline apportionment forecast for FFY 2015 through FFY 2016 used in the department's submittal is based on MAP-21, H.R. 4348 and the Highway and Transportation Funding Act of 2014, H.R. 5021. The September 2014 baseline forecast for FFY 2015 assumes that current FFY 2014 funding levels will extend for FFY 2015 and FFY2016 and will be driven by the forecasted funding abilities of the Highway Trust

Fund. The current Congressional Budget Office (CBO) forecasts for the HTF (released August 27, 2014) predicts the fund going negative in FFY 2016. In order to keep the HTF from going negative, a reduction in federal expenditures will be absent new revenue. As a result, Washington's federal apportionment level would need to be reduced by 26.7% in FFY 2016. After FFY 2016, Washington's annual federal funding level is assumed to grow at the same rate as our state motor fuel consumption.

REVENUE AND FUND RISKS

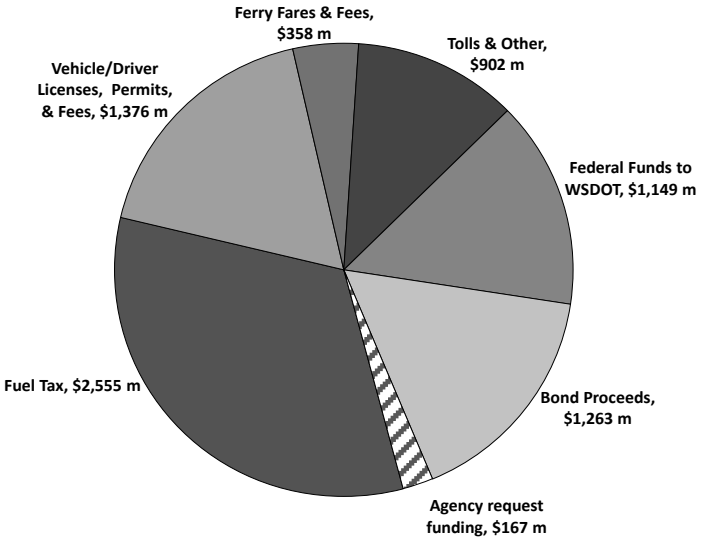
While a long-term outlook of transportation revenues and uses provides insight into the amount of transportation funds available in the future, certain risks exist to revenue availability and expenditure levels. Projections of future transportation revenues are based on the best available information at a point-in-time.

- State and national economic factors significantly impact the actual collections and forecasts of transportation funds:
    - Future transportation funds have not yet been collected; actual receipts of transportation taxes (e.g. motor vehicle fuel taxes, federal receipts, and licenses, permits, and fees) may be lower than current projections.
    - Employment is a leading variable in forecasting future tax collections.
    - Customers could be more sensitive to economic conditions, which impact all transportation revenues including ferry fares and tolls.
- Revenues may be impacted by changes in law, either through legislative action or through the state's initiative process.
    - Possible changes in future state law could impact revenue.
    - Washington's initiative process may lead to a change in taxes/fees currently collected.
    - Future federal transportation authorization acts may result in reduced levels of federal funding.
    - Federal fuel economy standards will impact the level of motor vehicle fuel tax collected.
- Project cost increases may occur due to cost escalation of petroleum based products, steel, and other materials.
- Higher than expected interest rates for bond sales may cause increases to future projected debt service obligations.

June 2014 Transportation Revenue Forecast

Funding for the Transportation budget comes from multiple sources. The two major sources are the fuel tax and licenses, permits, and fees. Funding also comes from ferry fares and concessions, rental car taxes, tolls, and miscellaneous revenues, which include interest earnings. Funds also come from bond sales, federal funds, local funds, and remaining cash balances from previous years.

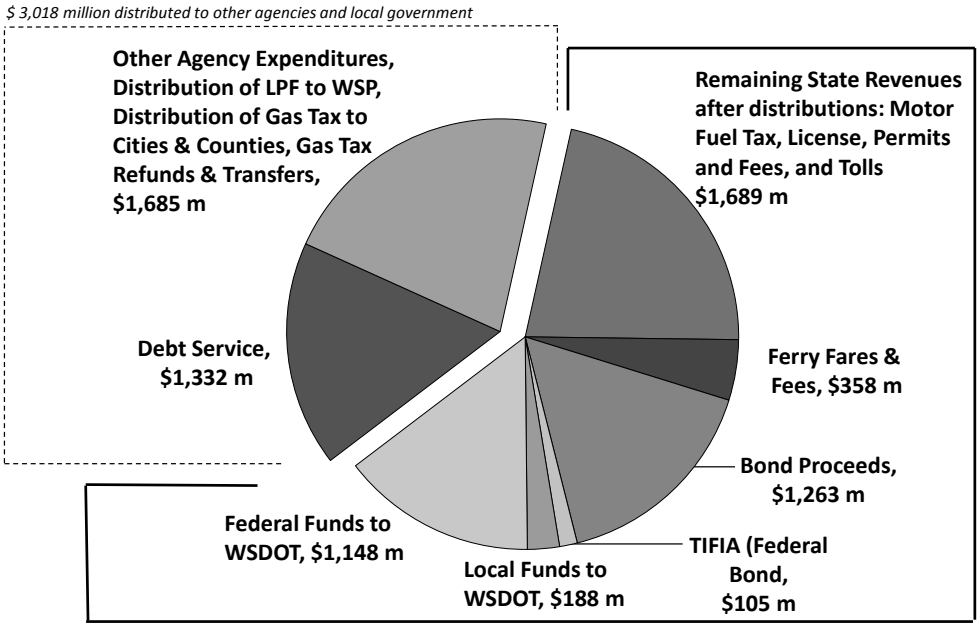
Estimated Transportation Funds to be collected in 2015-17 ($7.8 billion)



Motor Fuel Tax Revenue is based on the month of collection

Distribution of Funds

Though the state collects the motor vehicle fuel tax, and licenses, permits, and fees, a portion of these funds are distributed back to cities and counties. These statutory distributions, along with appropriations to other agencies, refunds, transfers and debt service are shown in the dotted line area of the pie chart to the right. The portion of the chart outlined with the solid line is assumed to be available for the WSDOT 2015-17 operating and capital budgets. WSDOT's 2015-17 budget request provides the operating programs with 32.5 percent of the total budget and capital programs 67.5 percent.



TEIS - Financial Plan

Pro Forma Report

2015-17 Department Proposed Financial Plan

Dollars in Millions

Operating programs	13 - 15	15 - 17	17 - 19	19 - 21	21 - 23	23 - 25	10 Year Total 15 - 17 to 23 - 25
Uses of Funds:							
Toll and Highway Maintenance Operations							
Toll Oversight and Planning • B	0.8	1.6	1.6	1.6	1.6	1.6	8.0
Tacoma Narrows Bridge • B	23.7	27.4	29.8	30.1	30.5	31.0	148.8
High-Occupancy Toll Lanes • B	1.9	2.6	2.5	2.6	2.6	2.6	12.9
SR 520 Corridor • B	32.5	46.6	51.2	54.2	54.8	55.5	262.3
I-405 Express Toll Lanes • B	0.0	9.9	12.3	13.4	13.4	13.4	62.4
Total Toll	**58.9**	**88.1**	**97.4**	**101.9**	**102.9**	**104.1**	**494.4**
Highway Maintenance and Operations • M	408.4	405.5	410.0	416.1	422.2	429.8	2,083.6
Highway Traffic Operations • Q	52.4	53.4	54.1	54.8	55.6	56.6	274.5
Total Highway Maintenance Operations	**460.8**	**458.9**	**464.1**	**470.9**	**477.8**	**486.4**	**2,358.1**
Total Toll and Highway Maintenance Operations	**519.7**	**547.0**	**561.5**	**572.8**	**580.7**	**590.5**	**2,852.5**
Ferries Maintenance & Operations • X	**483.5**	**498.0**	**504.5**	**512.0**	**519.6**	**528.9**	**2,563.0**
Public Transportation and Rail							
Public Transportation • V	101.7	110.6	101.1	101.8	102.4	103.1	519.0
Rail • Y	46.0	48.9	72.6	73.3	74.1	75.0	343.9
Total Public Transportation and Rail	**147.7**	**159.5**	**173.7**	**175.1**	**176.5**	**178.1**	**862.9**
Aviation • F	**10.1**	**11.9**	**8.7**	**8.7**	**8.7**	**8.7**	**46.7**
Transportation Economic Partnerships • K	**0.6**	**2.1**	**0.6**	**0.6**	**0.6**	**0.6**	**4.5**
Local Programs • Z	**10.2**	**11.4**	**11.5**	**11.7**	**11.8**	**12.0**	**58.4**
Support Services and Other Charges							
Office of Information Technology • C	72.1	72.9	73.8	74.9	76.0	77.4	375.0
Facilities Maintenance & Operations • D	26.1	27.1	27.4	27.8	28.3	28.8	139.4
Program Delivery Management & Support • H	49.5	53.5	53.6	54.4	55.2	56.1	272.8
Transportation Management & Support • S	28.5	30.2	30.4	31.0	31.4	31.9	154.9
Transportation Planning, Data, & Research • T	49.5	51.5	50.4	50.6	51.0	51.3	254.8
Charges from Other Agencies • U	77.7	76.9	77.8	79.0	80.2	81.7	395.6
Total Support Services and Other Charges	**303.4**	**312.1**	**313.4**	**317.7**	**322.1**	**327.2**	**1,592.5**
Total Operating Uses of Funds	**1,475.2**	**1,542.0**	**1,573.9**	**1,598.6**	**1,620.0**	**1,646.0**	**7,980.5**

TEIS - Financial Plan

Pro Forma Report

2015-17 Department Proposed Financial Plan

Dollars in Millions

Capital Programs	13 - 15	15 - 17	17 - 19	19 - 21	21 - 23	23 - 25	10 Year Total 15 - 17 to 23 - 25
Uses of Funds:							
Highway Construction							
Hwy. Improvements • I (Pre-existing)	701.9	499.0	196.3	219.5	220.4	229.9	1,365.1
Hwy. Improvements • I (Special C Account)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Hwy. Improvements • I (Nickel Account)	205.6	166.4	10.1	19.9	0.2	0.3	196.9
Hwy. Improvements • I (TPA Account)	961.4	1,039.2	305.7	182.2	3.8	1.1	1,532.0
Hwy. Improvements • I (Multimodal Account)	0.0	21.1	0.8	0.0	0.0	0.0	21.9
Hwy. Improvements • I (SR 520 Account)	707.2	239.8	0.3	0.0	31.8	31.8	303.7
Hwy. Improvements • I (SR 520 Civil Penalties)	0.0	23.0	10.0	10.0	10.0	10.0	63.0
Hwy. Improvements • I (Tacoma Narrows Bridge)	0.0	0.0	5.8	11.5	11.5	11.5	40.3
Hwy. Improvements • I (Alaskan Way Viaduct)	0.0	50.1	109.6	40.3	0.0	0.0	200.0
Total Highway Improvements	**2,576.2**	**2,038.6**	**638.6**	**483.4**	**277.7**	**284.6**	**3,722.9**
Hwy. Preservation • P (Pre-existing Funds)	621.5	413.8	236.0	355.9	323.3	561.9	1,890.9
Hwy. Preservation • P (2003 Funding)	1.8	40.5	52.5	37.8	47.7	0.0	178.5
Hwy. Preservation • P (2005 Funding)	27.0	12.1	0.2	0.5	0.0	0.0	12.8
Total Highway Preservation	**650.3**	**466.4**	**288.7**	**394.2**	**371.0**	**561.9**	**2,082.2**
Total Highway Construction	**3,226.5**	**2,505.0**	**927.3**	**877.6**	**648.7**	**846.5**	**5,805.1**
Other Highways							
Capital Facilities • D	22.9	6.1	6.1	6.3	6.5	6.7	31.7
Traffic Operations • Q	12.0	12.2	10.0	10.0	10.0	10.0	52.2
Total Other Highways	**34.9**	**18.3**	**16.1**	**16.3**	**16.5**	**16.7**	**83.9**
Total Highways	**3,261.4**	**2,523.3**	**943.4**	**893.9**	**665.2**	**863.2**	**5,889.0**
Ferry Construction							
Ferry Construction • W (Pre-existing)	169.2	167.2	242.2	156.4	341.9	269.9	1,177.6
Ferry Construction • W (2003 Funding)	140.8	94.8	0.0	0.0	0.0	0.0	94.8
Ferry Construction • W (2005 Funding)	2.8	0.0	0.0	1.4	2.5	2.5	6.4
Total Ferry Construction	**312.8**	**262.0**	**242.2**	**157.8**	**344.4**	**272.4**	**1,278.8**
Rail Program • Y	**439.2**	**380.9**	**16.2**	**20.2**	**28.2**	**9.1**	**454.6**
Local Programs • Z	**53.3**	**42.7**	**15.4**	**16.1**	**10.4**	**10.4**	**95.0**
Total Capital Uses of Funds	**4,066.7**	**3,208.9**	**1,217.2**	**1,088.0**	**1,048.2**	**1,155.1**	**7,717.4**
Total Uses of Funds (Operating and Capital)	**5,541.9**	**4,750.9**	**2,791.1**	**2,686.6**	**2,668.2**	**2,801.1**	**15,697.90**

Appendices

- **Appendix A** – Glossary
- **Appendix B** – Transportation Equipment Fund
- **Appendix C** – Miscellaneous Transportation Programs Account
- **Appendix D** – FTE Summary
- **Appendix E** – WSDOT Organizational Chart

Appendix A – Glossary

Glossary

Appropriation
A legislative authorization to make expenditures and incur obligations for specific purposes from designated resources available or estimated to be available during a specified time period. Only the Legislature can make appropriations in Washington State.

Biennium
A 24-month period extending from July 1 of an odd-numbered year to June 30 of the next odd-numbered year to which the appropriation legislation applies. For example, the 2013-15 biennium extends from July 1, 2013 to June 30, 2015.

Bond
A debt instrument issued through a formal legal procedure and secured either by the pledge of specific properties or revenues or by the general credit of the state.

Budget
A plan of financial operations embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

Carry Forward Level
Current biennium appropriations, plus biennialization of legislatively directed workload and service changes, and deletion of costs that the Legislature considered non- recurring.

Current Law Budget (CLB)
As required by state law, the department's proposal, which can be funded within existing and/or reasonably assumed resources that is built upon existing law that governs the level of revenues that can collected to support the proposed expenditures.

Decision Package
A document used to express a specific action or policy proposed for implementation in the ensuing biennium that changes the carry forward level.

Fiscal Year
A 12-month period extending from July 1 in one calendar year to June 30 of the next calendar year. For example, fiscal year 2014 is the 12-month period from July 1, 2013 to June 30, 2014.

FTEs
Full-Time Equivalent staff. In the department, one FTE equates to approximately 1,757.33 hours of work for fiscal year 2014 and is determined by available hours less holidays and a three-year historical average of vacation and sick leave taken. The factors for conversion are calculated on a monthly basis for regular full-time employees, temporary employees, and for overtime.

Glossary (continued)

Fund
A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes. Funds are segregated for the purpose of isolating specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Gas Tax
Also known as the motor fuel tax. Includes taxes on motor vehicle fuel and special fuel. This tax is levied against each gallon of motor fuel.

Highway System Plan
The component of Washington's Transportation Plan that addresses the state's highway system. Included is a comprehensive assessment of the current deficiencies and the conceptual solutions for the state's highway system for the next 20 years.

Maintenance Level
Reflects the cost of mandatory caseload, inflation, and other legally unavoidable costs not contemplated in the current budget.

Motor Vehicle Fund
The fund containing receipts from motor fuel taxes; motor vehicle registration licenses, permits, and fees; and other transportation user fees. May be used only for highway purposes as provided in the 18th Amendment of the State Constitution.

Multimodal Transportation Account
An account established in the 2000 Legislative Session to ensure that viable multimodal transportation projects and programs are available throughout the state. The account was created to address the complexities associated with current funding mechanisms and seeks to create a process that would allow for all transportation programs and projects to compete for limited resources.

New Law Budget
Budget proposal that depends on laws being changed to increase revenues in order to support increased expenditures.

Subprogram
Identifies major functions or activities within a program.

Transportation Equipment Fund (TEF)
TEF is a revolving fund that provides equipment and related services to department programs. RCW 47.08.120 gives the department the authority to operate TEF, a non-appropriated, proprietary, internal service program that charges rent to department programs for the use of equipment. In addition to furnishing equipment, the program operates 32 vehicle service and repair facilities and

128 vehicle fueling stations throughout the state and maintains the department's statewide wireless communications equipment.

Appendix B – Transportation Equipment Fund

Transportation Equipment Fund
Business Plan

Business Mission

To provide Transportation Equipment Fund (TEF) customers with reliable, well maintained vehicles, equipment, and radio communications that meet the needs of the users so that they may accomplish their services to the public in a safe, efficient, timely, and cost effective manner.

Business Description

RCW 47.08.120 gives the Washington State Department of Transportation (WSDOT) the authority to operate the Transportation Equipment Fund to provide equipment and related services to department programs. TEF functions as a non-appropriated, proprietary internal service program that charges rent to department programs for the use of equipment. The program was designed to be self-sustaining so the cost to replace equipment is recovered from equipment rental rates, although that is not how the program is currently operating; equipment rent charged to programs is less than what is needed to sustain the program. The program provides a wide variety of rental equipment. Currently, there are more than 14,000 items in inventory. Major components are motor vehicles and highway maintenance equipment, and a variety of other specialized equipment. In addition to furnishing equipment, the program operates 32 vehicle service and repair facilities throughout the state.

TEF owns and operates 128 vehicle fuel stations throughout the state that provide direct service to both WSDOT and the Washington State Patrol (WSP). These stations are also available to local and state agencies. TEF fueling stations issue approximately 7.1 million gallons each year.

The program also provides and maintains the department's statewide wireless communications equipment.

TEF Organization

The Transportation Equipment Fund is authorized for 209.3 Full Time Equivalents (FTEs). These positions provide maintenance and repair of TEF vehicles and equipment, and the necessary support and administrative staff to deliver program objectives. Employees include management and supervisors, equipment technicians, accounting and administrative support, repair parts operations staff, and wireless equipment technicians.

Management and Supervisors include the Program Manager and one assistant responsible for Headquarters operations and regional guidance and assistance. The six Region superintendents

are responsible for regional operations of maintaining, repairing, and replacing program equipment.

Equipment technicians are responsible for the maintenance and repair of vehicles and equipment, preparing new equipment for assignment to customers and preparing replaced equipment for disposal.

Accounting and administrative support staff pay bills, perform labor and payroll processes, leave-tracking and reporting, balance fuel and repair parts inventory payables accounts, investigate and balance receivables, and maintain the vast majority of accountability and billing information into the program's fleet management system.

Repair Parts Operations Staff provide and maintain inventory and repair parts necessary to maintain and repair equipment.

Wireless Equipment Technicians set up, maintain, and repair the individual mobile and portable wireless communications devices used by WSDOT and maintain, repair, and replace the wireless infrastructure equipment statewide.

Revenue Plan

TEF's revenue plan is designed to provide adequate funding for the planned expenses for operating and administrative costs. Equipment rental charges paid by WSDOT programs are the major revenue source, accounting for about 77 percent of total revenue. Other revenue is derived from the sale of fuel to other local and state agencies, interest income, sales of aged vehicles and equipment, and operating transfers into the fund.

Operational Production Plan

Facilities

The business plan includes minor expenditures for TEF's use of buildings and other facilities because most facilities are provided by the department's Capital Facilities program without charge. However, TEF is responsible for maintaining vehicle fueling facilities.

Key Equipment and Technology Requirements

Each type of equipment has a replacement schedule based on age, use, and lowest lifecycle cost. TEF periodically reviews these schedules to identify necessary revisions to replacement criteria. Due to the funding challenges of WSDOT, the program has had to extend equipment replacements further and further into the future. This retention of equipment beyond the known least-cost life has led to equipment breakdowns and increased downtime for maintenance and repairs of equipment, which reduces the level of service that the department is able to achieve in operating and maintaining state highways. In previous biennia, expenditures for the replacement of equipment were about 39 percent of the TEF budget; in

2013-15, equipment replacements are 32 percent of the budget; in 2015-17, equipment replacements will be 29 percent of the budget. The funding shortfall in 2015-17 to replace equipment that is past due to be replaced is $46 million.

Labor Requirements

As the backlog of equipment replacement grows, the need for additional staff also grows to provide maintenance and repair on the old equipment that is retained past its normal useful life.

Key Supply Requirements

Anticipated expenditures for supplies and materials are based on the average historical level necessary to fuel, service, and repair equipment in the inventory. These items include fuel, lubricants, repair parts, and general operating supplies.

Fuel costs are projected to be 36 percent of total expenditures. Fuel costs are extremely difficult to predict or control. WSDOT fuel consumption is determined by equipment utilization, which is greatly affected by statewide climatic conditions. Additionally, fuel prices are volatile, since they are sharply influenced by worldwide political events. Technological advancements in the automotive industry are making engines progressively more fuel-efficient. Consequently, as TEF replaces its aged units, more efficient vehicles should favorably impact fuel consumption and expenditures.

The purchase of repair parts represents about 10 percent of total operating expenses. Repair costs continue to escalate as a result of an aging fleet.

General operating supplies include such items as office materials, shop floor, and parts cleaning compounds, restroom supplies, and other such items. This expense has been relatively consistent with the number of employees; it is anticipated to remain constant during the plan period.

Quality Control Requirements

The program has in place a compliance inspection team to ascertain that new equipment meets the requirements of established purchasing specifications. The Environmental Protection Agency (EPA) and the Department of Ecology (DOE) periodically inspect the underground fuel storage sites to ensure WSDOT meets federal and state regulatory requirements. State and internal auditors ensure that appropriate system security measures are in place, that there is a proper division of duties, and that the equipment rental rates are fair and equitable. The program has in place several internal performance measures to evaluate its service delivery.

Outline of Daily Operations

Daily operations include the following:

- Purchase new units to replace aged/wrecked vehicles and equipment.
- Perform asset management responsibilities.
- Maintain the Fleet and Equipment Management System database.
- Maintain the Fuel Management System database.
- Service and repair TEF inventoried items, including wireless communications equipment.
- Fuel vehicles and equipment.
- Maintain the department's vehicle fueling infrastructure.
- Dispose of aged/wrecked vehicles and equipment.
- Monitor, analyze, and report program performance.

Significant Changes, Challenges, or Opportunities

The TEF business plan for the 2015-17 biennium funds the costs of fuel at June 2014 price projections, which includes legislative mandates to use ethanol and biodiesel.

The Code of Federal Regulations, 2 CFR 200 Appendix V – State/Local Government and Indian Tribe-Wide Central Service Allocation Plans, restricts the TEF's ability to collect rent revenue sufficient to fund equipment replacement. Federal agencies will not participate in funding capital equipment acquisitions but will participate in funding the cost of depreciation related to past capital acquisitions.

TEF was designed to function as a self-sustaining fund that recovers capital and operating costs through the equipment rent charged to department programs. In this era of constrained budgets, the rent charged to department programs has been suppressed from what is needed to keep the TEF program self-sustaining, allowing funds that would have been used for equipment rent and subsequent equipment replacement to be used by department programs for other purposes. Because TEF has not been replacing equipment on schedule, the fleet now has a substantial amount of older equipment with little or no depreciation left; as depreciation expense is declining, so too is TEF's ability to replace equipment through equipment rental rates; the only way now for the program to recover an equilibrium in equipment replacement and become self-sustaining is through an infusion of capital from outside of normal operations—a fund transfer, as well as increased state appropriations to department programs to pay for higher equipment rental rates, which will in turn be used to fund future equipment replacement.

Strategic Assessment

The program continues to evaluate operational and administrative requirements in conjunction with its financial plan and the department's overall budget.

Shown below is TEF financial plan.

Fund 410--Transportation Equipment Fund Financial Plan			
	2013-15	**2015-17**	**Change**
Beginning Cash Balance	**$10,389,000**	**$1,388,000**	**(9,001,000)**
SOURCES OF FUNDS			
Transfer in from the Motor Vehicle Account	**3,915,000**	**0**	**(3,915,000)**
Revenue			
- services provided to other entities	583,000	327,000	(256,000)
- fleetride income	40,000	16,000	(24,000)
- tort claims for 3rd party damage and interest	631,000	597,000	(34,000)
- fuel sales; gasoline and diesel (forecasted)	23,802,000	25,329,000	1,527,000
- equipment sales	3,143,000	2,488,000	(655,000)
- other revenue (indirect overhead, miscellaneous, etc.)	0	235,000	235,000
- interest income on cash	221,000	47,000	(174,000)
- rent	114,419,000	115,544,000	1,125,000
Total Revenue	**$142,839,000**	**$144,583,000**	**$1,744,000**
Total Revenue + Transfer In	**$146,754,000**	**$144,583,000**	**($2,171,000)**
USES OF FUNDS			
Expenditures			
- labor (sub-program E1)	$31,624,000	$31,542,000	($82,000)
- labor (sub-program S2)	175,000	175,000	0
- fuel consumed; gasoline and diesel	26,176,000	27,301,000	1,125,000
- fuel consumed; propane	0	52,000	52,000
- fuel sold; gasoline and diesel	23,131,000	24,649,000	1,518,000
- fuel sold; propane	0	2,000	2,000
- repair parts	12,204,000	13,425,000	1,221,000
- commercial services	2,428,000	2,289,000	(139,000)
- fees to other agencies	498,000	472,000	(26,000)
- other (supplies, travel, training, etc.)	3,421,000	3,387,000	(34,000)
- equipment replacement acquisitions	47,097,000	41,289,000	(5,808,000)
Subtotal Expenditures	**$146,754,000**	**$144,583,000**	($2,171,000)
- carry forward equipment replacements from 2011-13	9,772,000		(9,772,000)
Total Expenditures	156,526,000	144,583,000	(11,943,000)
Decrease/(Increase) in recivables, inventories, and liabilities	(771,000)	102,000	873,000
Total Uses of Funds	**155,755,000**	**144,685,000**	**(11,070,000)**
Ending Cash Balance	**1,388,000**	**1,286,000**	
Note: the numbers for fuel in 2015-17 include the $2.643 million increase in spending authority requested in the 8F-Fuel Rate Adjustment decision package.			

Appendix C – Miscellaneous Transportation Programs Account

Miscellaneous Transportation Programs Account (Fund 784)

The Miscellaneous Transportation Programs Account (Fund 784) was created in 1997. It was established to track federal funds passed through to local governments, and for services the department provides to other public and private entities for which the department receives reimbursement. Fund 784 is "non-appropriated." This account is also "non-budgeted," which means that the department does not submit an allotment plan (a spending plan for each month in the biennium) for approval to the Office of Financial Management (OFM).

Although reimbursable services processed through Fund 784 are not subject to legislative appropriations or OFM allotment control, department programs must create a spending plan by month because this fund is subject to internal department expenditure controls.

Expenditures on behalf of other state agencies, as well as reimbursements, are recorded. For internal allotment procedures, reimbursable expenditures from other state agencies are shown in the spending plan as positive amounts but offset in total by negative amounts in Object S – Interagency Reimbursements. As such, net expenditures reported for other state agencies are equal to zero. There is no off-set in the spending plan for other public or private entities because those reimbursements are recorded in the accounting system as revenue, rather than as a negative expenditure.

Note: The department is directed by statute – RCW 47.04.220(7) – to provide an annual report to the Office of Financial Management and to the Legislative Transportation Committees on the activities in the Miscellaneous Transportation Programs account (Fund 784) and any recommended changes in the process. As the department has no recommendations for changes at this time, the report provided here fulfills this requirement.

Fund 784 Activities

Program C—Office of Information Technology (OIT)
Program C's reimbursable services relate to interagency agreements with state agencies and municipalities. Subprogram C3–Infrastructure Services includes reimbursable work performed on behalf of other state agencies and municipalities for network and fiber optic installation and co-location. Subprogram C5–Enterprise Applications performs reimbursable work on the Collision Location Accident System (CLAS) for Washington State Patrol (WSP).

Program I—Improvements
The department provides project design services and construction project administration to the Central Puget Sound Regional Transit Authority (Sound Transit) for its regional express bus program. Projects involving the department include direct access ramps to state highways for Sound Transit buses and carpools and related high occupancy vehicle (HOV) and supporting facilities such as park and ride lots.

Program M—Highway Maintenance
Program M's reimbursable services consist of maintenance work performed for cities and counties, as well as work performed for the federal government on roads that are not part of the state system.

Program P—Preservation – Subprogram P9 – Sales and Services to Others
The Preservation Program accounts for several types of reimbursable services that are provided to other governmental agencies and private parties. These services include the department's Materials Laboratory and Geographic Information Services cost recovery centers, highway access permit reviews, and real estate reviews and appraisals.

Program Q—Traffic Operations
Traffic Operations manages the Motorist Information Sign Program in which businesses may advertise on highway information signs. Businesses are charged a fee to cover costs.

Program S—Transportation Management and Support
Subprogram S1 Executive Management and Support utilizes Fund 784 for the collection of conference registration fees and local sponsorship funding for the biennial tribal conference organized by the Governmental Relations Office. The expenditures for conferences are allotted once they are scheduled.

Program T—Transportation Planning, Data, and Research
Subprogram T6 Pass Through Funds: Program T administers the distribution of federal funds to the state's eleven Metropolitan Planning Organizations to support transportation planning activities.

Subprogram T2: Transportation Planning uses Fund 784 to account for sales of transportation data reports to other government agencies and the public.

Program V—Public Transportation
Program V administers grants from the Federal Transit Administration (FTA) for use by public and private transit agencies. FTA grant programs include: (1) Section 5310 program that provides grants to non profit agencies serving the elderly and persons with disabilities; (2) Section 5311 program that funds projects to improve public transportation in non-urban areas; (3) Section 5309 grants for bus purchases and other transit equipment, (4) Section 5316 Job Access and Reverse Commute Program that funds transportation services needed by low-income people to access jobs and related support services; and (5) Section 5317 program that provides transportation to persons with disabilities beyond requirements of the Americans with Disabilities Act.

Program Z—Local Programs–Capital
Off state system projects – Subprogram Z2: Local Programs administers federal funds that are earmarked for city and county highway projects. Off state system projects also include projects in which cities and counties fully reimburse the department for services.

Local agency investments on the state system – Subprogram Z9: Fund 784 is used for projects on the state system that are paid for from local or federal funding sources.

Miscellaneous Transportation Programs Account							
Ten- Year Expenditure Plan							
	FTE	Millions of Dollars					
Program	2015-17	2015-17	2017-19	2019-21	2021-23	2023-25	Ten Year Total
Pgm. C--Information Technology	0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1
Pgm. I--Highway Improvements	39	$37.7	$39.1	$40.5	$42.0	$43.5	$202.8
Pgm. M--Highway Maintenance	26	$3.2	$3.4	$3.5	$3.6	$3.7	$17.4
Pgm. P--Highway Preservation	24	$7.8	$8.0	$8.3	$8.6	$8.9	$41.7
Pgm. Q--Traffic Operations	14	$3.2	$3.3	$3.4	$3.6	$3.7	$17.2
Pgm. S--Transportation Management	0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2
Pgm. T--Transp. Planning, Data, & Research	1	$17.5	$18.2	$18.8	$19.5	$20.2	$94.3
Pgm. V--Public Transportation	15	$41.2	$42.7	$44.3	$45.9	$47.5	$221.7
Pgm. Z--Local Programs	36	$463.8	$480.6	$498.0	$515.9	$534.5	$2,492.8
Total	**155**	**$574.5**	**$595.4**	**$616.9**	**$639.1**	**$662.2**	**$3,088.2**

Appendix D – FTE Summary

FTE Summary Detail for 2015-17 Biennium

Pgm Code	Program Title	2013-15 Enacted with 2014 Supplemental	2015-17 CFL Adjustments	2015-17 Incremental Request	2015-17 Request	Difference
	Operating Budget					
B	Toll Operations & Maintenance	38.7	-	37.7	76.3	37.7
C	Office of Information Technology	225.1	-	-	225.1	-
D	Facilities Maintenance & Operations	81.1	-	0.6	81.7	0.6
F	Aviation	10.6	-	1.0	11.6	1.0
H	Pgm. Delivery Management & Suppor	246.4	0.6	8.3	255.3	8.9
K	Transportation Economic Partnerships	2.0	-	0.5	2.5	0.5
M	Highway Maintenance and Operations	1,551.8	(9.0)	(104.7)	1,438.1	(113.7)
Q	Traffic Operations	236.4	-	1.0	237.4	1.0
S	Transportation Management & Suppor	172.2	(1.0)	4.0	175.2	3.0
T	Transp. Planning, Data, & Research	186.5	-	1.0	187.5	1.0
U	Charges from Other Agencies	-	-	-	-	-
V	Public Transportation	24.7	-	-	24.7	-
X	Ferries Maintenance and Operations	1,707.5	(1.0)	29.7	1,736.1	28.7
Y	Rail	10.0	-	-	10.0	-
Z	Local Programs	43.7	-	-	43.7	-
	Subtotal Operating*	**4,536.3**	**(10.4)**	**(21.0)**	**4,504.8**	**(31.4)**
E	Transportation Equipment Fund	209.3	-	-	209.3	-
	Total Operating	**4,745.6**	**(10.4)**	**(21.0)**	**4,714.1**	**(31.4)**
	Capital Budget					-
D	Capital Facilities	12.3	(12.3)	7.5	7.5	(4.8)
I	Highway Improvements	1,320.0	(1,320.0)	1,205.0	1,205.0	(115.0)
P	Highway Preservation	880.0	(880.0)	795.0	795.0	(85.0)
Q	Traffic Operations	10.3	(10.3)	10.3	10.3	-
W	Ferries Construction	126.0	(126.0)	126.0	126.0	-
Y	Rail	29.0	(29.0)	29.0	29.0	-
Z	Local Programs	-	-	-	-	-
	Total Capital	**2,377.6**	**(2,377.6)**	**2,172.8**	**2,172.8**	**(204.8)**
	Total Budget (Appropriated only)*	**6,913.9**	**(2,388.0)**	**2,151.8**	**6,677.6**	**(236.2)**
	Total Budget (Includes TEF)*	**7,123.2**	**(2,388.0)**	**2,151.8**	**6,886.9**	**(236.2)**

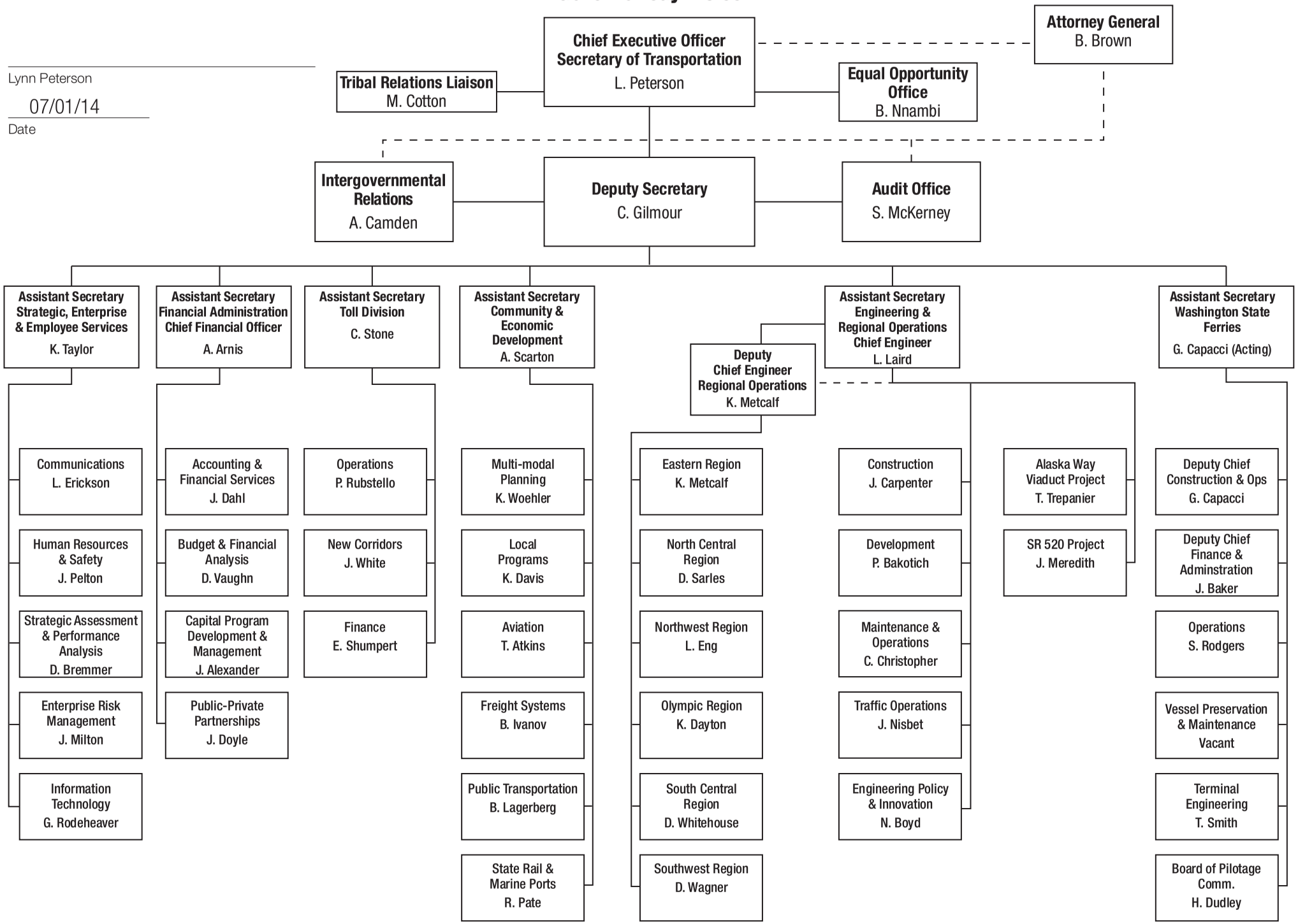
*Due to rounding of Programs' FTEs to the tenths decimal place, Subtotal and Total amounts differ by 0.4

Appendix E – WSDOT Organizational Chart

Washington State Department of Transportation

Citizens of the State of Washington
Governor Jay Inslee

Lynn Peterson

07/01/14

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