

Executive Summary

Introduction

The Washington State Department of Transportation (WSDOT) provides and supports safe, reliable and cost-effective transportation options to improve communities and economic vitality for people and businesses. Our state transportation system impacts each resident and visitor of our state every single day. It's how kids get to school, employees make it to work, sightseers take in the state's natural wonders, first responders respond to emergencies and goods make it from producers to consumers.

WSDOT is responsible for the backbone of Washington State's multimodal transportation system, including managing 20,000 lane miles of state highways, a state ferry system with 21 vessels and 20 terminals, 15 airports, short line railroad, and contracting the operation and preservation of the Amtrack Cascades passenger rail service. Collectively, the assets that make up these systems have a replacement cost of approximately \$200 billion.

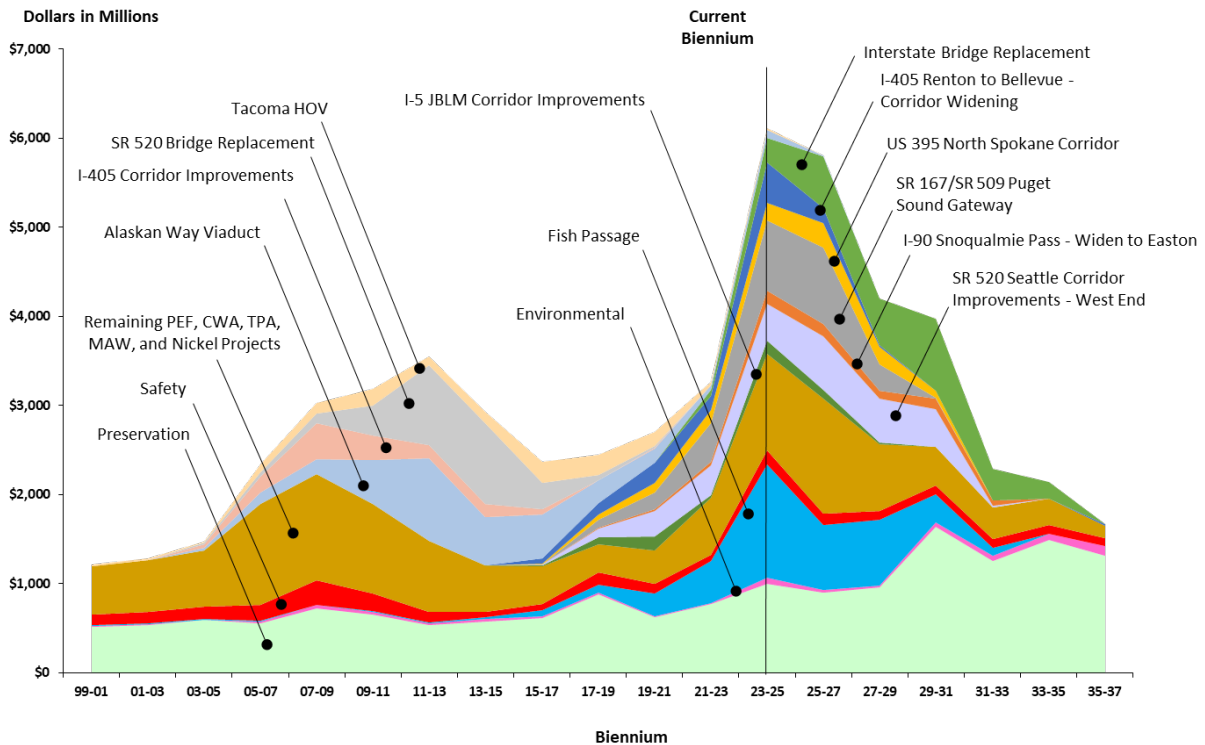
The Capital Improvement and Preservation Program (CIPP) describes the programs and expands on the direction provided by the Legislature in the 2024 enacted budget. There are many challenges, and therefore many opportunities, ahead to:

- Meet fish passage obligations,
Save lives,
- Preserve the existing infrastructure to successfully navigate these challenges and capitalize on opportunities sustainably and equitably, both now and into the future,
Address equity, diversity, and inclusion,
- Meet the challenge of climate change,
- Prepare for Cascadia Subduction Zone earthquake, and
- Move people and our economy.

As the Highway Construction program chart outlines below, the transportation budget for the 2023-25 biennium is at historically high levels of funding and delivery expectations. WSDOT is ready to work with the Governor and Legislature in support of the decision-making process to maximize the return on investment in our state's transportation system.

WSDOT Highway Construction Program with Revenue Packages 2025 Agency Budget Request

25DOT001 (Excludes sub-programs 16 and 17, no error corrections)



I. Unfunded Critical Priorities

The Washington Department of Transportation (WSDOT) recognizes the challenging fiscal outlook for the 2025-27 biennium. We streamlined our focus to highlight the essential unfunded needs required to fulfill our mission to establish a safe, reliable, and sustainable multimodal transportation system. Below are high-level summaries of each need which represent the bare minimum necessary to keep Washingtonians safe and our infrastructure from further degrading.

Fish Barrier Removal (\$5 billion)

In March 2013, a federal court mandated WSDOT fix numerous fish barrier culverts in a specified area, upheld by a U.S. Supreme Court decision in June 2018 leading to a permanent injunction. About 1,000 culverts under state highways are affected. By June 2024, 146 barriers have been corrected, improving access to 50% of blocked habitat. To comply with the injunction requirement of restoring 90% potential habitat, around 300 more barriers need correction which requires \$3.5 billion, along with addressing 75 newly identified barriers needing \$500 million. Additionally, \$1 billion is needed for structurally failing culverts. There's a long-term need for more funding to address deferred culverts to open the remaining 10% of blocked habitat and newly identified barriers, including those at the end of their useful life.

Safety (10-year need \$2.375 billion)

Crashes on Washington roadways have escalated to the highest levels since 1990, with 810 fatalities and 2,875 serious injuries in 2023. Without significant intervention, fatal and serious crashes will continue to

rise. Washington state can mitigate this crisis by directing more resources for safety to state highways in population centers, rural areas and in work zones. Within the \$475 million biennial need:

- \$300 million per biennium for regional safety would help cities and WSDOT partner to transform outdated state highways running through population centers where fatal crashes are more than double the state average. Funding would provide for reduced vehicle speeds, safe access to, from and along the road, eliminate active transportation system gaps, improve active transportation crossing opportunities and enhance intermodal connections around public transportation and schools.
- \$150 million per biennium in rural safety would help counties and WSDOT implement proven safety countermeasures like installing new guardrail/barriers, speed management, enhanced striping and delineation, and intersection improvements.
- \$25 million per biennium for work zone safety program enhancements for workers and travelers that advances work zone safety through technological innovation and enhanced enforcement efforts.

These investments would not only align with Washington's Target Zero safety priorities but also bolster efforts to modernize and transform highways into safer, more inclusive spaces for all road users.

Preservation (10-year need \$3 billion)

The state's transportation infrastructure is the very backbone of our state's economy and way of life. New projects aim to meet growing demands, but decades of underfunding preservation have put the health of our existing system in jeopardy and has impacted our ability to achieve all policy goals including safety.

Pavement and bridges across the state are showing the ramifications of underfunding for the last 20 years. Spare service life from investment in the 1990s is gone. Current investment in preservation is 40 percent of what is needed to preserve our assets in a state of good repair. As a result, the traveling public is noticing system deterioration in the form of unplanned emergency work most recently on the Tacoma Narrows Bridge, reduced speed limits on highways to name just a few public facing ramifications of underfunding. The condition of highways today mean increased funding won't result in functional roadways immediately. It will take time to address the preservation backlog for the significant parts of the system that have deteriorated. Highways are just part of the WSDOT assets facing preservation deficiencies. Other assets include multimodal assets like public transportation and rail, intra-agency assets like our aging facilities and fleet.

Addressing our vast preservation needs requires a steady approach. Our preferred strategy would build up investment over 30 years toward a fully funded state of good repair. The first step in this investment strategy requires an additional \$500-600 million in the first biennium, steadily increasing investment in future biennia. The first 10-year investment would be an additional \$2 to \$3 billion in preservation funding.

Emergent Needs

With the shortfall in preservation investments, WSDOT continues to see an increase in emergent needs across the state from failing assets. These emergent issues pose unplanned, imminent threats to the highway system and must be addressed to maintain function and accessibility. So far this biennium these emergent needs have totaled more than \$30 million and include failed drainage culverts, unstable slopes and most recently the weight restrictions on the deteriorating SR 165 Carbon River Bridge. A longer list of failures is listed in the Program P chapter.

In addition to the threat to the state highway system, this also poses a potential future funding issue. Historically, WSDOT has been able to use federal emergency relief (ER) funding for emergent work

caused by extreme weather events. However, if the failure is related to a deteriorated asset it is not eligible. As the emergent needs continue to grow, so will the need to fund them with state dollars.

Restoring Ferry Service (\$5.25 - \$5.5 billion)

Washington's ferry system is vital for maintaining the reliability and resilience of the state's transportation network, particularly for communities heavily dependent on ferry services. Addressing WSF's unfunded needs is crucial for meeting environmental goals and preserving critical infrastructure. The focus is on sustaining and operating the system efficiently rather than expanding it, ensuring functionality amidst growing demands. This includes transitioning to hybrid-electric power by 2040, which is essential for emission reduction, resiliency, and cost savings. Funding is required for new hybrid electric vessels, conversion of existing vessels to hybrid electric, and terminal electrification to facilitate this transition.

Asset management is integral to resilience, with preservation being a key aspect for the successful operation of the ferry system. Terminal and vessel preservation needs steadily increase posing risks to service. This includes terminal building replacements and the preservation of various assets within each terminal, as well as vessel system preservation and mid-life refurbishments to extend vessel service life.

Modernizing fleet operations technology is a priority, moving towards a more digital environment with mobile equipment for crew members and electronic updates for consistent fleetwide usage. Despite a 40% increase in funding over the past four years, additional staffing is needed to support new programs and resources, particularly in operations, vessels, finance, administration, and planning.

Unfunded Current Service and Delivery Items

Corson Avenue (Program D)

At 30% design, \$72 million is estimated to be needed to replace the NWR vehicle repair and parts building on Corson Avenue. This facility is currently closed to staff due to damaged asbestos containing materials causing high concentrations of asbestos fiber in sampled dust. Replacement of the 68-year-old building will remedy asbestos issue and keep displaced employees in a safe, reliable, and cost effective duty station to support the traveling public.

Highways Improvement (Program I)

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

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

L1000113 – I-90/SR 18 Interchange Improvements: \$16 M is needed to move forward with constructing the weigh station project.

Washington State Ferries (Program W)

- Terminal Electrification BIN L1000341: Completed Pre-Design Studies for the Seattle and Bainbridge Island Terminal Electrification projects estimate an increased need of \$115 million in 2025-27 and a \$22.2 million in 2027-29 for a Total increase of \$137.5 million.
- Administrative Support BIN's 998901J (W1) and 998951A (W2) are linked and are funded proportionally to match total program splits between W1 & W2 each biennium. The net increase for the two BIN's is \$634,000. Individually the W2 Vessels BIN 998951A had an increase of \$7.5 million and W1 Terminals 998901J had a decrease \$6.9 million. This total increase represents 2 FTE's that were shifted from the Vessel Project Support BIN 20000006 to the Administrative Support BIN 998951A (W2) and shows a related net \$530,000 decrease.
- Vessel Preservation Increases on existing projects of \$72.3 million needed to preserve critical vessel assets to reduce unscheduled out of service events impacting service operations and the traveling public:

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

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

Cascades State Supported Services (Program Y)

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

Financial Assumptions for the budget submittal

Practical Design

RCW 47.01.480 requires WSDOT to calculate practical design savings on a Connecting Washington project once it has reached 30% design for design-build projects and at the end of the design phase for design-bid-build projects. Any identified practical design savings are reported, which may or may not, be realized as Total Actual Project Savings. Once a project is complete and closed out identified Total Actual

Project Savings are then transferred to the Transportation Future Fund Account. To date, \$15.3 million has been transferred. While we may continue to show future savings through the calculation, once the Marvin Road project has closed out and funds have been transferred, we do not expect any further substantial transfers since a majority of CWA projects have completed or are nearing completion of the design phase.

State funding assumptions

The department will submit a 10-year investment plan for the four revenue packages (Nickel, TPA, CW, and MAW) consistent with ESHB 2134. Consistent with the legislative financial plan from the 2024 session, it is unlikely the department's financial plan is balanced beyond the 2025-2027 biennium.

Expenditures from the Motor Vehicle Account will be consistent with assumptions in ESHB 2134, primarily used for match to federally funded projects.

Federal funding assumptions

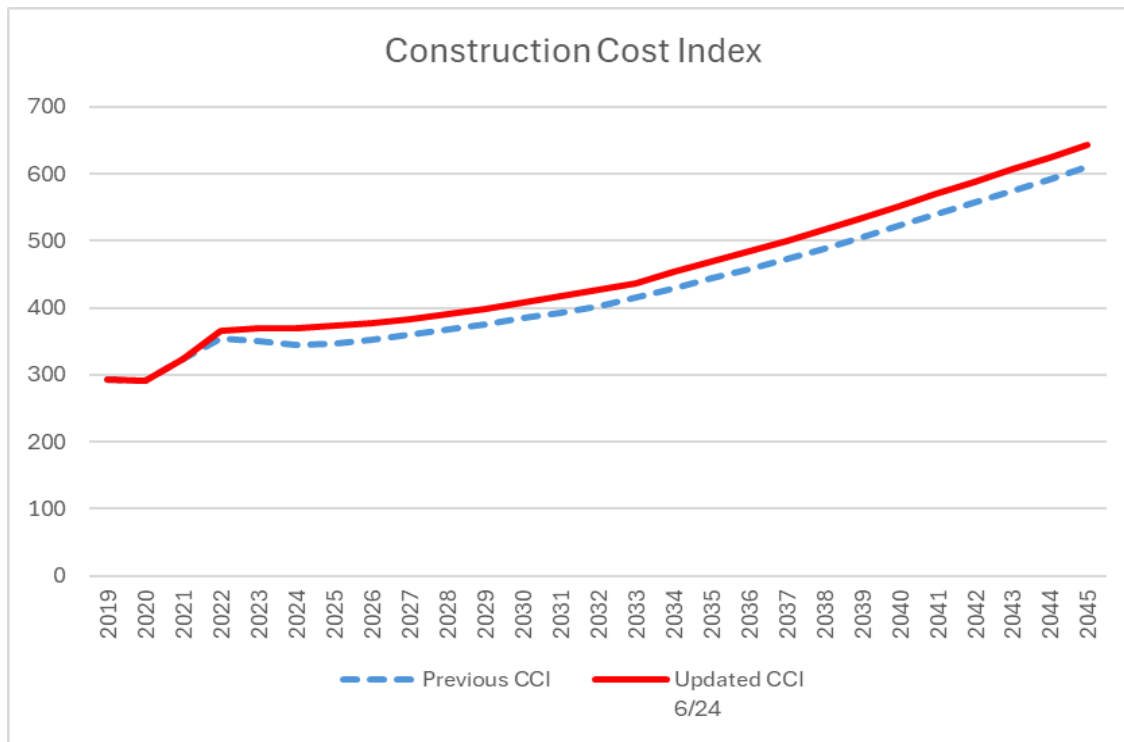
The federal funding levels assumed in the Department's 2025-27 biennial budget request are based on the Transportation Revenue Forecast Council's (TRFC) June 2024 Federal Forecast and the Governor's Bipartisan Infrastructure Law (BIL) workgroup, which recommended how federal funds should be distributed between WSDOT and local jurisdictions by federal program.

Inflation assumption

Inflation is the general increase in the prices of goods and services in the economy. Annually, CPDM evaluates updated inflation data obtained from the Economics Branch and compares it to the existing inflation data to inflate project estimates by phase. Inflation is based on national information using different assumptions by phase:

- Engineering (design) phase – IHS Markit forecast for Engineering, Architectural, and Surveying salaries.
- Right-of-Way phase – Moody's Analytics adjusted and forecasted of the Federal Housing and Finance Administration housing price index for the state of Washington (Freddie Mac, Fannie Mae).
- Construction phase – IHS Markit forecast of the Construction Cost Index (CCI) weighted 60% by materials, 30% by labor, and 10% by construction equipment.

WSDOT expends approximately 70-80% of its funds in the construction phase, 15-20% in the engineering phase, and 5-10% in the right-of-way phase. Therefore, inflation changes in the construction phase will have the greatest impact on the transportation capital budget, followed by inflation changes to the design phase. The chart below shows the Construction Cost Index (CCI) before and after an update that was applied in June of 2024:



The update shows the prior inflationary spike we all experienced nationwide in 2021 and 2022. Following national assumptions, this spike is followed by flat levels out in the upcoming years since it is expected that the rapid rise in inflation will be followed by low inflation rates while the economy adjusts. There are two key points in this review:

- WSDOT accounts for inflation, including the recent rapid spike and loss in buying power, in its capital program management systems.
- Over a long period of time, the net effect of the spike is balanced out, so that projects that properly account for inflation into the future did not see a substantial change before and after the update.

Market conditions are separate from inflation. Market conditions are the consequence of supply and demand factors which determine prices and quantities in a market economy. Market conditions include the bidding environment; the labor market; resource availability, etc. Due to the demand for an increase in capital transportation projects along with the availability of capital to fund near-term demand, WSDOT anticipates market conditions that continue to lead to unfavorable bidding environments and increased project costs.

Escalation is the total annual rate of increase in cost of the work or its sub-elements. The escalation rate includes the effects of inflation *plus* market conditions and other similar factors. As stated in the previous paragraph, WSDOT expects escalation to continue while the demand to deliver capital construction projects greatly exceeds the state's ability to deliver the projects.

One way to manage this challenge is to prioritize investments to be delivered in the capital program; spreading the overall investments being funded over a longer period. This strategy would require Legislative support and action. If this strategy is not implemented, WSDOT will be in a continuous state of delivering less than the available budget provided while simultaneously driving continued market conditions that will likely result in higher costs to deliver the same amount of work.

AWV 09H Appropriation Issue

In FY21, WSDOT received a settlement judgement for liquidated damages from Seattle Tunnel Partners in the amount of \$57,211,794.02. The Contract Administration and Payment System (CAPS) unit recorded the judgement in CAPS which is incapable of creating a receivable and thus recorded the transaction as a reduction of expenditures along with an additional transaction of retainage withheld. The liquidated damages from Seattle Tunnel Partners was received on February 2, 2023, and deposited in Fund 535 as required by RCW 47.56.864. The initial booking of this transaction was incorrect based on the appropriate accounting treatment communicated from the Office of Financial Management and the Statewide Administrative and Accounting Manual which requires that liquidated damages are recorded as revenue under revenue source 0405 - Fines, Forfeits, and Seizures. When the judgement was originally received by WSDOT, AFS should have created a long-term receivable where the monies would have been appropriately recorded as revenue upon receipt from Seattle Tunnel Partners.

As a result of the accounting treatment, the expenditures in Fund 09H for the Alaskan Way Viaduct are understated; this overstates the fund balance. The reduction of expenditures in Fund 09H needs to be reversed so that the department can be in compliance with accounting standards. An appropriation of \$57.2 million has been included in the AWV BIN as the department will need an appropriation to charge against to correct this error.

Creation of new Public Transportation Capital Program

To comply with the following legislative mandate, Public Transportation capital and operating projects and investments will be separated into two budget submittals:

“Section 221, sub section (23) As part of the department's 2025-2027 biennial budget request, the department must submit budget materials for the public transportation division separated into Operating and Capital budgeted programs.”

For the capital budget submittal, the following programs are included:

- Regional Mobility Grant program
- Green Transportation Grant program
- Tier Project list(s)
- Tribal Transit Grant program
- Rideshare Grant (formally known as Vanpool Investment) program
- Bus and Bus Facilities Grant program

To streamline the process, a new sub program V3 has been activated to represent the capital side of the public transportation program. A strategy has also been developed to allow for the dollars to be programed at a programmatic level until the solicitation process is completed. After which, new projects are programed and submitted to the Legislature.

Challenges Delivering the Federal Program

While the Department continues to be successful in fully obligating its federal program each fiscal year, there are several challenges associated with federal funds:

- The amount of the August redistribution has greatly increased with the available nationwide total reaching almost \$8 B in 2023. Over the past ten years, WSDOT has received almost \$626 M during the August redistribution, depleting most of the available

contract authority. Available contract authority exists mainly in sub-allocated program balances which are more difficult to obligate within the short period that August redistribution is available.

- The Bipartisan Infrastructure Law will expire September 30, 2026. As has been experienced with several prior federal transportation acts, WSDOT anticipates that a multi-year federal transportation act will not be passed by the expiration and that states will operate under a series of short-term continuing resolutions while waiting for a long term act to be passed. The authorization of continuing resolutions causes uncertainty and delay in the amount of limitation states receive, making it difficult to plan obligations early in the fiscal year.
- Having federal funds reimbursement in two accounts is a challenge with the current accounting system. If a project is funded from two federal funding sources like Federal-MVA and Federal-MAW it requires a complex set up in the existing accounting system and may require transfers to align expenditures to budgeted amounts later. Additionally, ineligible costs and matching funds must be covered by state funds and if there are no state funds identified for the specific account and/or project, transfer have to occur after the fact causing audit risks.

Addressing HEAL Act Requirements

Washington's Environmental Justice Law, the Healthy Environment for All (HEAL) Act, requires the Washington State Department of Transportation (WSDOT) to conduct Environmental Justice Assessments when considering significant agency actions.

An environmental justice assessment provides an opportunity for Washington State to better understand a wide range of environmental justice impacts that an action may have early in the process. They will help our state make informed decisions to reduce environmental harms and to address environmental and health disparities in overburdened communities.

Our environmental justice assessments process aligns with the HEAL Interagency Work Group's shared common practices that were developed collaboratively over the past year. Agency staff must follow this process to determine the potential impacts of agency actions on overburdened communities and vulnerable populations. The process involves the people and communities who are most likely to be affected by the action in determining impacts and seeking ways to reduce harms and increase benefits associated with an agency action.

As of July 1, 2023, we will conduct environmental justice assessments on the following types of actions that we have determined are significant and that meet the requirements of the law:

- New individual transportation projects of \$15 million or more
- New individual grants or loans of \$15 million or more
- Significant legislative rules (rulemaking (RCW 34.05.328))
- New grant or loan programs
- Developing agency request legislation

We also plan to update the environmental justice assessment process to incorporate what we learn through practice, community engagement, Tribal consultation, and any guidance we may receive from the Environmental Justice Council. We plan to keep the doors of communication open along the way and public input will help to shape this new process as we implement environmental justice assessments.

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The following table details transportation projects of \$15 million or more that have had an Environmental Just Assessment, along with links to the assessment. This list is kept up to date on the WSDOT website.

Project Name	Location	Key words	Initiation date	Status	Significant Agency Action Type
I-90 Judkins Park Station – Reconnecting Communities	City of Seattle in King County	Safety, Active Transportation, Grants, Climate Commitment Act, planning, reconnecting communities	07/27/2023	ongoing	new transportation project \$15M+
SR 525 Mukilteo Bridge over Railroad – Bridge Replacement	City of Mukilteo in Snohomish County	Bridge replacement, Active Transportation, Complete Streets	10/02/2023	ongoing	new transportation project \$15M+
SR 900/57th Ave S to S 135th – Environmental Justice Assessment	Unincorporated King County between the Cities of Seattle and Renton	Safety, Active Transportation, Grants, Climate Commitment Act, Transit access	08/28/2023	ongoing	new transportation project \$15M+
I-5/NB N Lake Samish to Nooksack River - Concrete Pavement Rehab	Cities of Bellingham and Ferndale in Whatcom County and unincorporated Whatcom County	Preservation	11/08/2023	ongoing	new transportation project \$15M+

Workforce Impacts

With the addition of the Move Ahead Washington package, delivery expectation is at an all-time high. Based on our highway construction business plan, WSDOT estimates it will require at least 2,200 FTEs in the Highway Construction program, with additional workforce needs being addressed by consultants.

As the department delivers the large Highway Construction program, there are key workforce considerations to meet to be successful:

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- Establishing a sustainable staffing level to avoid attrition of experienced engineering staff.
- Retaining and recruiting a strong talent pool in a strong job market.
- Providing effective training for WSDOT staff to effectively deliver the construction program.

**2025-2027 Department Budget Submittal - Highway Construction Program
 Program Expenditures and Workforce Projection**

Includes the Improvement and Preservation Programs with the exception of expenditures reimbursed by Sound Transit.

