

Federal Fund Exchange Program Report: Washington State Ferries and King County Metro

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**Washington State
Department of Transportation**

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Executive Summary

In the 2025 legislative session, the Washington State Legislature authorized a funding swap pilot between Washington State Ferries (WSF) and King County Metro (KCM) through [Chapter 416, Laws of 2025 \(ESSB 5161\), Section 222\(13\)](#). Under this arrangement, WSF (Program X) received \$12 million in federal FTA Section 5337 High-Intensity Fixed Guideway (HIFG) funds, while KCM received \$10 million in state appropriation through the Public Transportation (Program V) (Sec 221(11)). The Puget Sound Regional Council (PSRC), the region’s Metropolitan Planning Organization responsible for programming and allocating FTA formula funds within the Puget Sound region, coordinated and approved the WSF project for inclusion in the State Transportation Improvement Program (STIP).

The pilot focused on vessel preventive maintenance, applying federal dollars to activities such as engine overhauls, generator repairs, structural inspections, and safety equipment servicing. However, the program revealed significant challenges for WSF. The federal funds carried strict eligibility limits, excluded many critical maintenance needs, and imposed heavy compliance burdens. This misaligned WSF’s operational realities, added administrative overhead, and offered no sustainable long-term funding path.

WSF concludes that while the pilot provided temporary support, it is not scalable or effective. The agency recommends ending the program after the 2025–27 biennium and pursuing more flexible, stable state funding strategies to meet the full scope of fleet maintenance needs.

Pilot Project Scope

Under the direction of the Puget Sound Regional Council (PSRC), WSF developed the scope, schedule, and budget for this pilot project for inclusion in the State Transportation Improvement Program (STIP). The funding will support a Vessel Preventive Maintenance project during the 2025–27 biennium.

The WSF fund source for this swap is Section 5337 High-Intensity Fixed Guideway (HIFG) State of Good Repair funds. This funding source is:

- restricted to capital projects that maintain existing fixed guideways or high-intensity motorbus systems in a state of good repair.
- eligible activities include replacement, rebuilding, maintenance, and rehabilitation of rolling stock, ferries, and associated facilities and equipment.
- subject to an 80 percent federal share cap, requiring a minimum 20 percent non-federal match for eligible state-of-good-repair activities.
- limits flexibility in the WSF operating program for meeting vessel maintenance needs, as opposed to utilizing state funding sources for the same maintenance activities.

Preventive Maintenance Activities:

Activities are designed to extend the useful life of WSF assets and may include:

- Routine vessel and terminal maintenance
- Maintenance labor, parts, and supplies
- Annual inspections and dry-dock periods
- Contract repair services
- Project management and administration

Project Approval

The project, titled *WSF-129 Preventive Maintenance – King County Metro/Washington State Ferries Pilot*, was approved by the Puget Sound Regional Council (PSRC) in STIP Amendment 25-09 on October 15, 2025 (see Attachment 1). This approval authorizes WSF to advance the project toward federal grant development and award.

Next Steps:

- Identify direct vessel preventive maintenance project(s) meeting Section 5337 High-Intensity Fixed Guideway (HIFG) State of Good Repair eligibility requirements.
- Finalize and submit grant application to FTA by December 31, 2025
- Upon FTA review and award (typically 2–4 months)
 - Execute FTA grant agreement
 - Notify the WSDOT Public Transportation Division of the federal award so that state funds may be released to King County Metro.

Implementation Timeline

Due to the complexity of the federal grant development process—including eligibility verification, compliance review, and coordination with PSRC and FTA—the preventive maintenance activities funded through this pilot will occur in the second fiscal year (FY2027) of the 2025–27 WSDOT biennium. These process requirements significantly influence the timing of when WSF can initiate and complete federally eligible maintenance work under the pilot program.

Managing FTA Funding

Managing FTA funding has become increasingly complex and labor-intensive for WSF and WSDOT Headquarters due to:

- Administrative and regulatory requirements
- Procedural changes at FTA, causing delays in grant processing
- Federal restrictions, including FTA procurement rules and Build America/Buy America requirements for iron, steel, construction materials, and manufactured products

In consultation with FTA (August 2025) regarding preventive maintenance activities for vessels and terminals, applying HIFG funding to terminal preventive maintenance projects will create significant NEPA compliance challenges. WSF will be required to perform a NEPA study for each terminal identified as meeting the preventative maintenance definition, within the PSRC region. Therefore, WSF intends to utilize HIFG funding to direct vessel preventive maintenance.

Due to the restrictions of the federal funding source, WSF has identified a narrow list of activities where HIFG funds may be utilized for maintenance and repairs, including:

- Main/propulsion engine overhaul and repair
- Ship service generator overhaul and repair
- Structural steel inspections and weld repair
- Pipe system repair
- Heat exchanger repair
- Low-pressure hot water boiler repair
- Electrical system repairs and upgrades
- Electronics/navigation system repairs and upgrades
- Paint and non-skid applications, deck flooring repair, and seating repairs
- Glass window repairs
- Inspection and servicing of all life-saving equipment
- Emergency repairs and regulatory compliance
- Non-routine maintenance such as engine overhauls and replacing turbochargers

In addition, several critical vessel preventive maintenance activities do not qualify as eligible federal expenditures. Because the fund swap replaced a portion of state funding with federal dollars that carry strict eligibility limitations, WSF may be unable to meet all planned vessel maintenance needs in the 2025–27

biennium. The reduction in flexible state funds constrains WSF’s ability to address the full scope of required maintenance across the fleet, including activities essential for reliability, regulatory compliance, and long-term asset preservation.

Recommendations

After evaluating the implementation and outcomes of the WSF – KCM Federal Fund Swap pilot project, WSF recommends not continuing the pilot beyond the 2025–27 biennium. Several operational, financial, and administrative challenges indicate that continuation would not provide sustainable or scalable benefits to the agency.

1. Limited Eligible Use of Funds

The primary challenge is the narrow eligibility criteria associated with federal funds.

- Due to federal restrictions on eligible activities and Build America/Buy America (BABA), WSF has had to significantly narrow the scope of preventive maintenance activities, limiting work to intermediate-level maintenance and repairs rather than the broader range of preventive measures required to sustain the aging fleet.
- Required activities—such as main and propulsion engine overhauls, generator repairs, structural inspections, weld repairs, pipe system work, heat exchanger and low-pressure boiler repairs, electrical and navigation upgrades, flooring and seating repairs, glass replacements, painting, and regulatory maintenance, represent only a subset of the work needed to maintain operational readiness across the fleet.

This narrow eligibility reduces flexibility, creates operational inefficiencies, and causes deferral of other important maintenance work that cannot be federally funded.

2. Federal Funding Levels Create Additional Administrative Burden

The federal HIFG funds provided through the swap requires a non-federal match, WSF plans on utilizing state toll credits to satisfy the required local match. While this structure relieves pressure on state funds, it also introduces complexity:

- WSF already receives roughly \$40.2 million in 2025-27 biennium in FTA formula funding for preventive maintenance.
- Adding an additional \$12 million in federal funding requires WSF to identify eligible activities, beyond what is already programmed, to fully utilize the funds.
- The limited scope of allowable preventive maintenance makes it increasingly difficult to apply federal dollars without reshaping work plans or delaying non-federal eligible needs.

This shifts staff time toward documentation and compliance rather than directing resources to the most urgent maintenance needs.

3. Misalignment With Operational Realities

WSF’s maintenance needs—particularly for an aging fleet—require a high degree of flexibility. The fund swap pilot structure is not aligned with how ferry maintenance is planned and executed:

- Intermediate-level work does not substitute for the broader, lifecycle-focused preventive maintenance WSF requires.
- Critical maintenance must be prioritized based on vessel condition and operational needs, not the eligibility constraints of a specific funding source.
- Federal requirements can extend project timelines, add audit risk, and increase administrative overhead without corresponding operational benefit.

4. Sustainability Concerns

The pilot program does not offer a long-term funding solution:

- Federal funds available through swaps are not guaranteed in future biennia.
- Reliance on toll credits for local match disconnects the program from stable, predictable state funding.
- The administrative cost of maintaining compliance grows as federal funding levels increase, reducing the net benefit of the additional dollars.

Conclusion

While the pilot demonstrated that federal fund swaps can temporarily support eligible maintenance activities, the structure is not sustainable, scalable, or aligned with WSF's operational needs. The constraints on allowable work, increased administrative burden, and challenges in identifying sufficient eligible activities outweigh the financial benefits.

For these reasons, WSF recommends not continuing the Federal Fund Swap pilot project beyond the current biennium and instead pursuing more flexible, stable state funding strategies that better support complete lifecycle maintenance of the ferry fleet.

If you have questions on the attached material or need additional information, please contact Hillary Badger at (360) 915-4860 or hillary.badger@wsdot.wa.gov.

Reference:

Washington State Legislature. (2025). [Chapter 416, Laws of 2025 \(ESSB 5161\)](#).

- Section 221 — Department of Transportation: Public Transportation (Program V), Subsection (11), p. 64.
- Section 222 — Department of Transportation: Marine (Program X), Subsection (13), p. 68.

Puget Sound Regional Council. (2025). *Central Puget Sound Regional 2025–2028 Transportation Improvement Program: Amendments and corrections for inclusion in the 2025–28 STIP*. [PSRC TIP Amendment 25-09, Project No. 9988](#).

U.S. Department of Transportation, Federal Transit Administration. (2024). [FTA Circular 9050.1A: Section 5337 State of Good Repair Formula Program](#).

Attachment 1: STIP WSF-129 Preventive Maintenance - King County Metro/Washington State Ferries Pilot

County: WSDOT

List of 25-09 Amendment Projects

Jurisdiction: WSDOT Marine Division

Project Number: WSF-129

Title: Preventive Maintenance - King County Metro/Washington State Ferries Pilot

Phase	Programmed Year	Obligation Date	Funding Source	Federal Funds	State Funds	Local Funds	Phase Total
Other	2026	9/30/2023	5337 HIFG	\$1,864,762	\$0	\$0	\$1,864,762
Other	2026	9/30/2024	5337 HIFG	\$10,135,238	\$0	\$0	\$10,135,238

WSDOT PIN: **Totals:** \$12,000,000 \$0 \$0 \$12,000,000

Federal Aid/FTA Grant Number(s):

Functional Class: Not applicable (transit, enhancements, Etc.)

Improvement Type: Other -- Ferry

Location: Vessels Systemwide or Terminals serving the Seattle-Everett-Tacoma Urbanized Area

From: N/A

To: N/A

MTP Status:

MTP Reference(s):

Description:

Total Cost: \$12,000,000

Regionally Significant: Yes

Environmental Status:

This project contains \$12 million in 2023-24 FTA Section 5337 funding that Washington State Ferries (WSF) will receive in a funding swap with King County Metro for a pilot project in WSF's Operating Program. The funding will be used for a discreet Preventive Maintenance project in the 25-27 Biennium. The Preventive Maintenance activities would include work to allow WSF assets to perform to the end of their useful life. Typical work may include: vessel and/or terminal and equipment routine maintenance, associated maintenance labor, parts and supplies, annual inspection/dry dock, contract repair service, management and support and project administration. The federal funding represents 100% percent of the total budget for this pilot project. State toll credits will be used as local match to federal funding.

10/15/2025