

2025-27 BIENNIAL TRANSPORTATION BUDGET & 2025 SUPPLEMENTAL BUDGET SUMMARY

HOUSE CHAIR & RANKING MEMBER (PSHB 1227)

The House Transportation Committee Chair and Ranking Member’s proposed spending plan (House Proposal) for the 2025-27 fiscal biennium provides \$15.0 billion for transportation spending in 2025-27 and \$13.3 billion in 2023-25, a decrease of \$1.2 billion from levels authorized in the enacted 2024 supplemental budget. In addition to revenues raised under current law, the House Proposal assumes additional revenue from various transportation sources authorized in Proposed Substitute House Bill (PSHB) 2043 (an act relating to transportation resources).

Economic and Fiscal Context

The Transportation Revenue forecast has had significant revisions since March 2024, when 2023-25 transportation spending was last revised. Overall, transportation revenues are projected to be \$244 million lower in 2025-27 and \$1.1 billion lower in the eight-year period, FY 2023-31, as compared to the February 2024 forecast.

In addition to the usual updates for economic changes, the process involved a revision to the motor fuel tax revenue forecasting model. The forecast model now recognizes downward trends in fuel consumption in recent years and projects negative fuel tax growth going forward. While the recent March 2025 transportation revenue forecast totals were higher than the November 2024 forecast, overall revenues remain significantly below levels forecasted in February 2024.

Inflationary Pressures

On the cost side, several very large construction bids have come in substantially above Washington State Department of Transportation (WSDOT) engineering estimates, resulting in higher construction costs. Washington’s experience is not unique; nationally, there has been a sharp and recent increase in the National Highway Construction Cost Index. Locally, this escalation has been manifest in bids on the State Route (SR) 520 West End and other large projects. Increased material costs and other cost increase are also manifesting in higher engineer’s estimates at WSDOT prior to the bidding process.

Revenues from Proposed Substitute House Bill 2043

PSHB 2043 establishes new transportation funding sources and changes a variety of transportation-related taxes, fees, and surcharges. An increase of \$1.0 billion in transportation revenues is estimated for the 2025-27 fiscal biennium and \$4.4 billion over the six-year period, FY 2025-31, associated with policies in the bill. PSHB 2043 and additional information on funding estimates for components of the bill are available at leap.leg.wa.gov.

2025-27 Biennial Transportation Budget

The House Proposal includes a total of \$15.0 billion in appropriations to transportation agencies for transportation purposes during 2025-27. \$8.9 billion is for the capital program, and \$6.1 billion is for operating costs. \$1.8 billion is for debt service and debt issuance costs on previously issued transportation bonds and bonds issued during the 2025-27 biennium.

Capital Projects

Most capital project spending in transportation represents a continuation of priorities defined in prior years and is updated annually in each year's enacted budget. Projects underway include investments added in 2003 (Nickel Package), 2005 (TPA Package), 2015 (Connecting WA Package), and 2022 (Move Ahead WA), including multi-year investments planned for Climate Commitment Act (CCA)-related expenditures. Projects from the Nickel and TPA packages are mostly complete; projects from the Connecting WA and Move Ahead WA packages are well underway, with large amounts scheduled for construction in the 2025-27 biennium and the six-year period, FY 2025-31.

The House Proposal recognizes the current fiscal pressures on the transportation budget are caused in part by higher than typical inflation on large projects. Due to fiscal constraints, some uncommitted project spending planned previously for FY 2025-31 is delayed.

For state projects, the 2025-31 amount delayed is \$1.3 billion in state funds, as compared to the February 2025 WSDOT project update. Work under contract is not delayed. For local projects, the 2025-31 amount delayed is \$488 million in state funds, and amounts under agreement are not delayed.

Washington State Ferries Projects

The Washington State Ferries (WSF) improvement plan currently includes new hybrid-electric ferry construction, as well as terminal and vessel electrification projects. The completion of the first Jumbo Mark II vessel conversion has been delayed by a year. The cost of the vessel conversions has increased from the \$219 million provided in the 2024 Enacted budget last year to \$266 million. Cost estimates have also increased for terminal electrification from the \$160 million in the 2024 Enacted budget to \$302 million. There have been delays in the procurement process for new hybrid-electric Olympic-class vessels and delivery may be delayed as well. In response to these costs increases and delays and the changes in overall revenue levels, the House Proposal delays the second and third vessel conversions until after the FIFA World Cup in 2026. The House Proposal also delays the electrification of the Bainbridge and Kingston Terminals to reflect the delivery timeline of vessel electrification projects.

The House Proposal includes a total of \$1.4 billion in spending in the six-year period, FY 2025-31, for these activities, the same level planned in 2024. It does not include spending for the delayed terminal electrification and conversion projects previously planned for FY 2025-31.

Highway System Preservation and Maintenance

Preservation projects are not reduced from expected levels in the House Proposal. Funding for these activities in the 2025-27 biennium is \$293 million in state funds and \$902 million in all funds, which is essentially unchanged from the level projected in the 2024 supplemental transportation budget. A total of \$654 million in funding is provided for the WSDOT Highway Maintenance Program. Funding in the base for this program includes \$8.1 million for measures to address safety and public health concerns associated with homeless encampments on state rights-of-way. \$3 million in toll funding is added for increased maintenance and operating costs associated with new toll systems being implemented during the 2025-27 biennium.

Ferry System Preservation

The state's ferry system includes 20 marine terminals and 21 car and passenger ferries. Spending on the preservation of these assets is increased in the House Proposal by \$110 million, to a total of \$359 million, for the 2025-27 biennium.

Fish Passage Barrier Removal

Federal court injunction requirements regarding fish barrier removal mandate that access to 90 percent of blocked habitat of significant gain be restored through the correction of identified barriers by 2030. The House Proposal provides an additional \$220 million in the 2025-27 biennium for this program and a total of \$1.1 billion of increased funding over the FY 2025-31 six-year time horizon.

Climate Commitment Act (CCA) Spending

\$1.3 billion is provided for a variety of carbon emission reducing expenditures during the 2025-27 biennium, in accordance with the six-year plan for CCA transportation expenditures developed in 2023. A total of \$459 million is provided for transit, \$279 million for active transportation, and \$558 million for electrification and other zero-emission-related activities; most of these amounts are for activities identified on the aforementioned plan.

New transportation investments made with CCA revenues in the 2025-27 biennium include \$15 million for a sales and use tax exemption for zero-emission transit buses, \$32 million for zero-emission school bus grant awards, \$25 million to increase funding for the Zero-Emission Medium- and Heavy-Duty Vehicle Voucher Program, and \$10 million for additional funding for the Zero-Emission Vehicle Infrastructure Program (ZEVIP).

\$1 million is provided to the Joint Transportation Committee to oversee the development of tools and methodologies to assist in ongoing program delivery evaluation for fuel conversion programs that receive appropriations from the Carbon Emissions Reduction Account over time, with a report due to the Legislature by October 1, 2025.

Other Transit and Active Transportation Spending

Due to the limitations of the current funding environment, reductions are also taken to some grant programs. Amounts are reduced for the Regional Mobility Grant (RMG) Program, and new grants funded through the RMG Account will not be offered during the 2025-31 six-year period. Transportation Demand Management Grants are reduced by \$5.7 million each biennium and Rideshare/Vanpool Grants will not be offered during the 2025-31 six-year period, for a savings of \$10 million per biennium.

Active transportation projects funded by general transportation revenues are also reduced. Funding for the Pedestrian and Bicycle Safety Grant Program and the Safe Routes to Schools Program is preserved. Amounts provided from climate-related funds are also not affected.

Driver Safety

The House Proposal provides a total of \$27 million to support driver safety on Washington roadways. This includes over \$7 million for the Washington State Patrol (WSP) to support the current expansion of speed safety cameras in work zones. \$194 million is provided to the Department of Licensing (DOL) for a low-income voucher program for: driver's education training; increased driver education requirements for those over 18 years of age; and a required work zone and first responder driver safety course, provided free of charge for new driver's license applicants between the ages of 15 and 25.

Washington State Patrol Workforce

The House Proposal provides over \$16 million for initiatives supporting WSP workforce development. These include incentives and bonuses for cadets and lateral hires, longevity bonuses for troopers, additional training staff, two trooper basic training classes, and three lateral training classes. In addition, \$52 million in one-time savings is taken for anticipated trooper and non-field service vacancies.

Compensation Increases

A total of \$145 million is included for compensation increases during the 2025-27 biennium, as well as for changes to the state employee benefit rate. Of these amounts, \$68 million is provided for the WSP and just over \$34 million is provided for WSF.

2025 Supplemental Revisions to 2023-25 Transportation Spending Levels

The House Proposed changes to 2023-25 transportation spending levels address delayed spending and a few emergent priorities. Appropriations are reduced by \$1.2 billion on net, in large part a reflection of delayed highway construction and preservation activity, as well as delays to local road network, active transportation, transit, and electrification projects. \$9 million of savings is recognized due to a move to self-insurance on the SR 520 bridge facility; these savings are ongoing. One-time vacancy savings are taken at the WSP and DOL due to lower than anticipated staffing levels.

The revised spending proposal also includes some increases. Capital spending for the state ferry system is increased by \$40 million due to increased costs for new vessel engineering and vessel conversions. \$13 million is restored for the WSDOT Highway Maintenance Program to ensure continued service levels and maintenance of state roadways. \$9.8 million is provided to WSDOT for anticipated legal costs. For the WSP, \$4 million is provided for an additional cadet class, as well as \$1 million to ensure adequate staffing in the agency's training division. Federal fund authorization totaling nearly \$10 million is added to the WSP, the Washington Traffic Safety Commission, and WSDOT.