

Report on Contingency Funding to Address Staff Vacancies

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This report responds to direction within the 2022 Supplemental Transportation Budget, ESSB 5689, Sections 210(2); 211; 214(7); 216(11); 217(3); 218(2); and 219(8) requesting a report to the Governor and the Transportation Committees of the Legislature detailing the specific expenditures made from the contingency funding provided in those sections.

WSDOT has worked collaboratively with legislative fiscal staff, LEAP, OFM, and other transportation agencies to improve shared understanding of WSDOT's staffing related data available to the Legislature. This report outlines how the contingency funding was spent or is planned to be spent, and alternative approaches to informing the Legislature of WSDOT's estimated underspending in a manner that aligns with the legislative budget note intent, which is to mitigate negative impact to operations and delivery. Moving forward, WSDOT welcomes the opportunity to discuss with the Legislature alternative approaches to reflect estimated underspending that supports WSDOT's ability to meet legislative delivery expectations and performance goals.

Proviso and Legislative Budget Notes

2022 Supplemental Transportation Budget, ESSB 5689, Sections 210(2); 211; 214(7); 216(11); 217(3); 218(2); and 219(8) state that the appropriations are provided solely for:

...contingency funding to address the emergent issues related to mitigating negative impacts of the high-level of staff vacancies. Potential uses of the funding include, but are not limited to, the following: increased overtime, travel, and other related costs; increased contracting to maintain adequate service levels; and unanticipated facility and equipment needs. By January 1, 2023, the department must submit a report to the governor and the transportation committees of the legislature detailing the specific expenditures made from the contingency funding provided in this subsection.

In addition to this proviso, the [Legislative Budget Notes for 2022](#) indicate the following intent about the vacancy savings and contingency funds:

Vacancy Savings - Funding is adjusted based on projected levels of staff vacancies in larger WSDOT programs, which is partially offset by a contingency fund in a separate line item. WSDOT will improve their staffing reporting information, actual staffing will be monitored and funding may be adjusted in the 2023 supplemental budget if authorized staffing levels are achieved.

Contingency Fund – To mitigate impacts associated with the staff vacancies, funding is provided for a contingency fund for additional costs for contracted services, overtime, and other costs associated with maintaining operational capacity and project delivery schedules...

To maintain compliance with the Budget and Accounting Act, and consistency with historical expenditure reporting of budget program structures, the flexibility provided in the proviso to use the funding on unanticipated facility and equipment needs is appreciated, but not applicable in all budget program letters. WSDOT would welcome a conversation with OFM and the Legislature to examine ways to improve the department's ability to use the funding more efficiently to meet Legislative delivery expectations.

Appropriation Details

The 2022 Legislature assumed \$58.9 million would not be spent in seven of WSDOT’s larger operating programs due to an assumption that the agency would have sustained higher than expected turnover and hiring challenges during the 2021-23 biennium, and that the assumed number of vacancies were fully funded by the Legislature. Through OFM approval, the Legislature allowed these seven programs to access \$23.6 million in contingency funding to mitigate the negative impacts of having less spending authority to deliver the projects and services the public has come to expect (**Figure 1**). This contingency brings WSDOT’s net reduction to \$35.4 million.

Figure 1

Program	Vacancy Reduction	Contingency Funding	Net Reduction
Information Technology (C)	\$ (6,307)	\$ 2,523	\$ (3,784)
Facilities (D)	\$ (1,950)	\$ 780	\$ (1,170)
Program Delivery & Support (H)	\$ (5,997)	\$ 2,399	\$ (3,598)
Maintenance (M)	\$ (30,238)	\$ 12,096	\$ (18,142)
Traffic Operations (Q)	\$ (6,435)	\$ 2,574	\$ (3,861)
Transportation Management (S)	\$ (3,615)	\$ 1,446	\$ (2,169)
Planning, Data, and Research (T)	\$ (4,404)	\$ 1,762	\$ (2,642)
WSDOT Total	\$ (58,946)	\$ 23,580	\$ (35,366)

OFM provided general guidance to WSDOT on the criteria and requirements to access the contingency funding in September 2022 through the allotment process. The requirements are to explain why the additional appropriation is needed and to provide details that compare allotted appropriation to forecasted spending needs through the end of the biennium.

Use of Contingency Funds

As of December 2022, six budget program letters, Programs C, D, M, Q, S, and T, have requested contingency funds be allotted.

Information Technology (Budget Program C)

- Request to allot \$2.5 million of the contingency funding provided to address emergent issues related to staff vacancies was submitted to OFM in December and pending approval.
- If approved, the contingency funding will be used to cover labor costs and maintain planned staffing levels to ensure operational IT service continuity to all internal WSDOT customers.
- The Information Technology’s biennial estimated average vacancy rate is trending about 15% (36 out of 245 positions, does not include project Propel). A 10-15% vacancy rate is necessary and represents the turnover rate of a technology workforce needed to support the modernization of constantly changing technology systems and services. Of the current vacant 36 positions, 20 are in active recruitment process, nine position descriptions were updated and submitted to IT Professional Structure (ITPS) Governance Committee for review. Of the remaining vacancies, five positions were vacated only recently through a natural attrition and

are planned to be filled and two are undergoing updates to position descriptions as a pre-cursor to recruitment.

- Project Propel reflects approximately a 54% vacancy rate, which reflects the delay associated with OneWA project schedule.

Capital Facilities- Operating (Budget Program D-operating)

- \$780,000 of the contingency funding provided to address emergent issues related to staff vacancies was allotted in October 2022.
- The contingency funding is being used to cover costs associated with overtime, travel expense, and contracted (vendor) labor to deliver the work while the program continues to fill vacant positions.
 - For example, an employee stationed in south Seattle may have to travel to Burlington to cover for a vacant position in Everett. The work and added extra travel time (and traffic delays) may take more than a standard work shift resulting in overtime or overnight accommodation costs.
 - In some cases, we have contracted out maintenance of buildings to 3rd party vendors.
- The Capital Facilities – Operation program biennial estimated average vacancy rate is trending about 12%.

Program Delivery & Support (Budget Program H)

Contingency funding has not been allotted at the time of this report. The program will continue to be monitored over the upcoming months to determine if a future request will be needed to allot all or a portion of the contingency funds. At this time, it doesn't appear it will be necessary to access the contingency. As of November 2022, Program Delivery & Support biennial estimated average vacancy rate is trending about 9%.

Highway Maintenance Operations (Budget Program M)

The Maintenance program uses a detail plan that budgets three levels lower than what is represented in the transportation budget bill. This includes 36 Maintenance Activities, 7 Regions (including HQ) and multiple Maintenance Areas. Overall, the program expends approximately 50% of its budget on labor, while additional charges consist of equipment, materials, and other expenses such as utilities needed to deliver on the Maintenance Accountability Process (MAP) activities. The program must rely on multiple approaches to staffing including perm, non-perm, season positions as well as overtime to deliver both planned and reactive activities such as asset failures and weather-related disaster responses.

- \$12.1 million of the contingency funding provided to address emergent issues related to staff vacancies was allotted in October 2022.
- The contingency funding is being used to cover costs associated with both regular and overtime labor. \$947,000 has been spent to date as of November month close.
- The program's seasonally adjusted 2021-23 average vacancy rate is trending approximately 2%.

Traffic Operations – operating (Budget Program Q-operating)

- \$2.6 million of the contingency funding provided to address emergent issues related to staff vacancies was allotted in November 2022.

- The contingency funding is being used to cover costs associated with both regular and overtime labor, travel, and consultant services to supplement/augment staff. \$265,000 will be used for consultant services to augment staff for Transportation System and Operation Program.
- Skills for technicians maintaining our traffic operations/signal/electrical system and our land mobile radio system is specialized and in high demand. We are increasing our recruitment efforts and training/mentorship to develop and retain our talent pipeline.
- The program's 2021-23 estimated average vacancy rate is trending about 5%.

Transportation Management (Budget Program S)

- \$1.4 million of the contingency funding provided to address emergent issues related to staff vacancies was allotted in October 2022.
- The contingency funding will be used to cover costs associated with labor.
- Funding for Program S is provided for activities that support enterprise-wide executive management and financial and administrative functions like human resources, accounting, and budget. The funding for Program S is provided primarily for staff-related costs, representing 72% of program appropriations. With each new enacted budget, Program S works through a process to evaluate how many FTE can be afforded by the legislative appropriation levels. Historically, the appropriation levels are not sufficient to cover all identified FTE, so funding for positions is prioritized across the program.
- The program's 2021-23 estimated average vacancy rate is trending about 7.5% based on the 2022 enacted budget funded level of FTE. This rate reflects temporary vacancies, which the offices are actively recruiting to fill.

Planning, Data, and Research (Budget Program T)

- \$1.762 million of the contingency funding provided to address emergent issues related to staff vacancies was allotted in October 2022.
- The contingency funding will be used to cover labor and equipment costs associated with delivering the highway traffic counts, processing and reporting to meet FHWA requirements as well as planning and data work to implement WSDOT's SPR work program. No funds have been expended to date due to pending unanticipated receipt request, as the requested federal funds will affect the state match and requires balancing of state and federal fund sources.
- The program of delivery for Planning, Data and Research is described in detail in the agency's biennial [State Planning & Research \(SPR\) Work Program](#). The 2021-2023 work program, developed based on the 21-23 Enacted Budget, was reviewed, and approved by FHWA and FTA in June 2021. The 2022 supplemental budget resulted in a reduction in the general appropriation; the contingency funding, along with WSDOT's request that funds be restored to the program, is needed to fulfill remaining spending needs as described in the work program and avoid a reduction in delivery assumptions for this biennium.
- The program's 2021-23 estimated average vacancy rate is trending about 10.4%.

ALTERNATIVE APPROACHES

Background

WSDOT agrees with the Legislature in that having up to date and timely information about estimated spending plans is important and necessary for budget development. The vacancy savings and use of contingency fund approach taken in the 2022 enacted budget presented unique operating challenges for WSDOT, which hindered operational efficiency and did not reflect where the majority of estimated underspending would occur. As an alternative, the following information is provided to improve shared understanding and demonstrate our commitment to continue to work with the Legislature and provide timely information in a manner the Legislature needs that allows WSDOT to achieve the expected outcomes.

WSDOT Vacancy Trends, 2020-2022

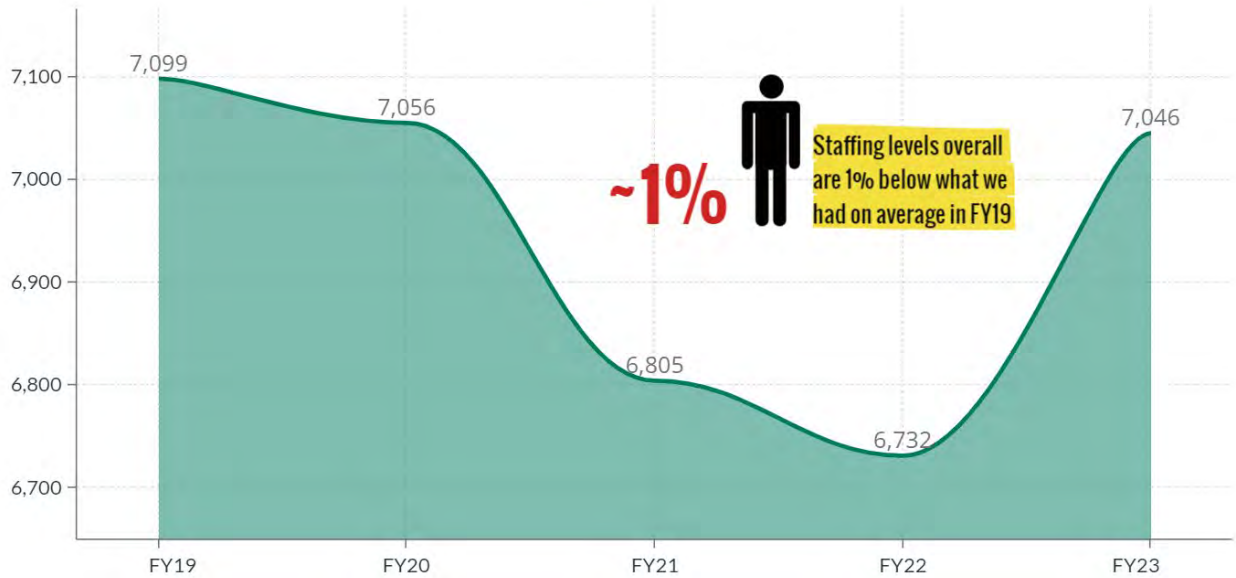
Despite unprecedented challenges and uncertainty over the past two years due to the pandemic, WSDOT continues to deliver projects and maintain operations. Due to the economic uncertainty, Washington State implemented measures to curb spending including a hiring freeze beginning in May 2020, under Governor's Directive 20-05 Freezing Hiring, Personal Service Contracts and Equipment purchases. During the hiring freeze, agencies were required to work with OFM to approve exceptions for any mission critical positions that needed to be filled based on criteria outlined in Directive 20-05. Given the importance of WSDOT's work and with OFM approval, WSDOT continued to fill critical positions during this period.

The hiring freeze directive was rescinded in April 2021 under Directive Rescinding 20-05, et seq. The agency increased recruitment resources to address increased turnover between FY 2020 and FY 2022 and continued recruiting to quickly fill the temporary vacancies.

As of November 2022, WSDOT's average headcount, (headcount represents number of people, not FTE) is about 1% below pre-pandemic levels. As noted in the graph below, although the department experienced short-term decrease in the number of employees working between FY 2021 and 2022, overall, the staffing trend has recovered quickly through the expansion of recruiting efforts and deploying funds to attract new talent.

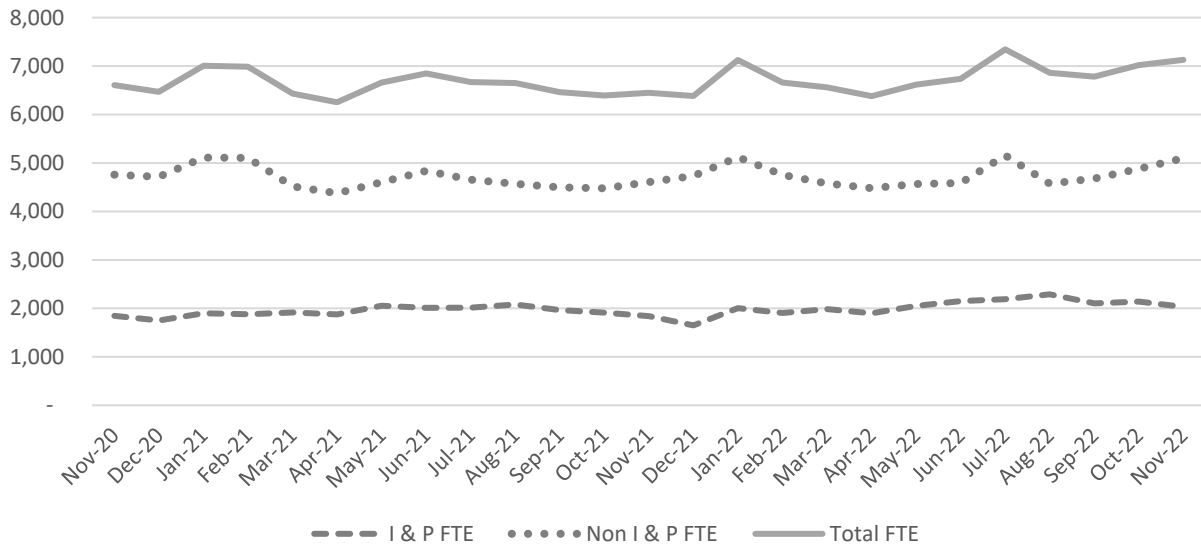
WSDOT Average Headcount

By Fiscal Year (as of November 2022)



Important to note, although the number of state employees working decreased temporarily, the average monthly FTE expended did not reflect the same decrease because remaining staff were working additional hours to ensure objectives were achieved as noted in the 2-year summary of monthly FTE trend below. FTE reflects the number of hours equivalent to a full-time employee.

2-Year Period Summary of Monthly FTE



I & P in the chart reflect legislative budget programs: Improvements and Preservation, non – I & P reflect the other 21 budget programs

Budget Development Communication

To ensure the Legislature has timely information to incorporate spending assumptions into its budget, WSDOT increased the frequency of communication to the Legislature of its estimated underspending for all 23 budget programs. Ahead of the 2021 second supplemental budget, in the fall of 2020, WSDOT reduced its operating budget allotments (moving funds to reserve status) to reflect WSDOT's anticipated underspending due to directives to freeze hiring, consultant costs and equipment purchases. Because underspending trends continued into 2021-23 biennium, between September 2021 and February 2022, WSDOT shared through a variety of communication channels including with the Legislative Transportation Committees that the majority of vacancies and active recruitments was occurring in the engineering classifications predominately in programs I and P and its two largest operating programs: Highway Maintenance (Program M) and Ferries (Program X) as well as the following estimated underspending for the 2021-23 budget:

- approximately \$1 billion of capital appropriation, primarily highway construction could be shifted from the 2021-23 biennium one-time to the out years of the project plan.
- \$1.9M from the Ferry Operation program was not planned to be spent due to a delay in restarting the Sydney Route.
- \$900,000 from the multi-use grant program was not allocated because the department had not received any requests for funding through the open call process.
- \$2.9 million from the project Propel would not be spent, due to announcement from OneWA of another delay.

These updates provided the 67th Legislature with timely information it could use to estimate available fund balances to build its 2022 first supplemental budget.

The 67th Legislature did not reflect all WSDOT's estimated underspending in their budget within the programs WSDOT identified. Instead, the Legislature reduced seven of WSDOT's largest operating budget programs due to a Legislative assumption that these programs would incur a natural average 9.5% vacancy rate during the 2021-23 biennium at the same time WSDOT was ramping up to deliver the 16-year Move Ahead Washington spending package.

This reduction of 2021-23 operating budget so early in the biennium created unique operating challenges for WSDOT and funding uncertainty. Based on the legislative budget notes provided with the 2022 conference budget, the department is operating under the assumption that the Legislature made these reductions to reflect the vacancies that will naturally occur and that it was not the Legislature's intention for WSDOT to reinstate a hiring freeze, delay projects, or reduce services, while at the same time, spending plans had to be adjusted so not to exceed the reduced appropriation levels.

Challenges with Budget Bill Structure

WSDOT appreciates the Legislature's guidance in the Legislative Budget Notes that attempts to mitigate the negative impacts of this operating budget reduction, but the budget bill structure and number of and complexity of the provisos within each legislative budget program letter, presents unique challenges that hinders operational efficiency and performance.

WSDOT delivers services, grants, and capital projects in a heavily regulated environment from the Federal, State and Local levels as well as meeting public expectations. WSDOT's performance is measured by outcomes such as overall condition of the transportation assets, by how safe the transportation system is, how integrated and multimodal the system is for travelers, and how well WSDOT engages with communities and stakeholders. WSDOT's performance is not measured by the number of FTE the agency employs or by how many dollars it spends on those FTE. Delivery of projects and services is performed through a dynamic process to which WSDOT leverages a mix of available resources, FTE, contractors and consultants. Much of WSDOT's approach to achieve these outcomes is centered on being resilient, and nimble, employing practical solutions and leveraging funding to maximize performance, which our budget structure does not fully support.

For example, many of our projects are multimodal and overlap legislative budget programs because they incorporate many activities that are funded separately, such as safety, improvement, preservation, and public transportation. To achieve Legislative objectives, WSDOT relies on appropriation from multiple legislative budget programs to deliver a single project. With the current budget structure, reporting the costs of those project activities has to be divvied up across the several budget program letters. Tracking and monitoring expenditures this way is a significant administrative undertaking that requires manual entry and adds no value to understanding how the funding was spent. As a result, the Legislature requires that WSDOT publish separate reports that are more informative to how the funding was spent and performance of the system.

Conclusion

We look forward to discussing alternative approaches to maximize the utilization of available transportation revenues for efficient operations and delivery of the transportation systems and services to the public. Charged with implementing a \$11 billion budget, funding certainty is critical to WSDOT's ability to deliver efficiently. If you have any questions about the details provided in this report, please contact Headquarters Budget Office at 360-705-7500.