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To the Honorable Speaker and Members,
The House of Representatives of the State of Washington

Ladies and Gentlemen:

I am returning, without my approval as to Sections 102(6), 206(6), 212(2), 224(12), 224(14), 306(16), 306(17), 407(12), and 602, Engrossed Substitute House Bill 2878 entitled:

"AN ACT Relating to transportation funding and appropriations."

Section 102(6), page 3, Office of Financial Management -- Development of Future Budget Proposals

I share the Legislature's expectation that the Office of Financial Management will work with the Legislature so that future budget proposals reflect criteria for performance excellence, include measures of earned value, and are aligned with the state's transportation goals. Even though I am vetoing Section 102(6), I direct the Office of Financial Management to continue its work with the Legislature and the state's transportation agencies to align budget proposals with the state's transportation goals and performance measure.

Section 206(6), page 10, Transportation Commission – Cost Reductions for Toll Operations

I appreciate the need to carefully control the costs associated with tolling so we will have efficient and effective tolling operations. Accountability regarding the use of toll revenue is essential. This proviso requires the Transportation Commission – not the Department of Transportation – to develop benchmarks and recommendations to reduce and control tolling operation costs. The Transportation Commission's role is to establish toll rates while the Department of Transportation's role is to evaluate and direct operations.

Although I am vetoing Section 206(6), the Office of Financial Management will work with the Department of Transportation, the Transportation Commission and others to evaluate toll operating costs on the Tacoma Narrows Bridge and SR 167 in comparison to other tolled facilities across the country to develop toll operating cost benchmarks. In addition, tolling operations issues will be examined in future Government Management Accountability & Performance sessions.

Section 212(2), page 18, Washington State Department of Transportation -- Cost Reductions for Toll Operations

The proviso requires the Department of Transportation to develop incentives to reduce and control tolling operations costs, and to provide a report to the Transportation Commission. As a cabinet agency, the department is accountable to the Governor and it is not the role of the Transportation Commission to evaluate and direct the department's operations.

Although I am vetoing Section 212(2), the Department of Transportation will provide a report on incentives to reduce toll operating costs to the Office of Financial Management and the Legislature by December 1, 2008.

Section 224(12), pages 38-39, Washington State Department of Transportation – Ferries – Pilot Car Sharing Program in San Juan Islands

The proviso states that Washington State Ferries may investigate implementation of a car-sharing program in the San Juan Islands but also provides that Washington State Ferries shall submit a report to the Legislature by November 15, 2008. Because no funding is provided for the research and report, I am vetoing Section 224(12) but want the Department of Transportation's Commute Trip Reduction program to examine how a car-sharing program could work in the San Juan Islands.

Section 224(14), page 39, Washington State Department of Transportation – Ferries – Summer Schedule on Port Townsend/Keystone Route

The proviso includes an appropriation of \$357,000 for two additional sailings per day on the Port Townsend/Keystone route from May 19, 2008 to September 8, 2008. Unfortunately, these dates do not correspond with the already established summer sailing schedule for the Washington State Ferries that runs from June 15 to September 20. As a result, this will add operating costs beyond the \$357,000 that is appropriated.

Although I am vetoing Section 224(14), the Department of Transportation and the Office of Financial Management will work with House and Senate Transportation Committee chairs to find options that fit within the amount of money provided and that also can meet the intent of the Legislature to provide additional service during the summer on this route.

Section 306(16), page 50, Transportation Account 2003 bond proceed appropriation

The proviso includes appropriation authority to spend up to \$825,000,000 in proceeds from the sale of 2003 nickel account bonds. Due to a technical error, this amount excluded the extra money the state gets from bond premiums which can limit the funds available to support important projects already underway. Therefore, I am vetoing this section so that the ending fund balance in the nickel account will not be adversely affected.

Section 306(17), page 50, Transportation Partnership Account 2003 bond proceed appropriation

Similar to section 306(16), this proviso includes appropriation authority to spend up to \$740,000,000 in proceeds from the sale of transportation partnership account bonds but this amount also excluded the bond premiums. Because this can adversely impact the ending fund balance in the transportation partnership account, I am vetoing this section.

Section 407(12), page 72, Administrative Transfer of Federal Funds

An administrative transfer of \$1 million in federal funds is made from the multimodal account-federal to the transportation infrastructure account-federal. The State Treasurer does not transfer federal funds within the Department of Transportation programs. Transfers of this sort are done internally at the Department of Transportation, so I am vetoing this section.

Section 602, page 76, Government Accounting Standards Board Asset Valuation

The Department of Transportation is already in full compliance with Government Accounting Standards Board (GASB) Statement 34 as it pertains to asset valuation of the state's highway systems, including the maintenance of an infrastructure asset inventory and regular assessments of the condition of assets. This critical information is already used to support strategic long-term investment decision-making in transportation capital project management and to set appropriate levels of asset maintenance and preservation.

Section 602 requires the Department to exceed the requirements of GASB 34 but does not provide additional funding. I vetoed similar language in 2005 and in 2007, and am vetoing this section.

For these reasons, I have vetoed Sections 102(6), 206(6), 212(2), 224(12), 224(14), 306(16), 306(17), 407(12), and 602 of Engrossed Substitute House Bill 2878.

With the exception of Sections 102(6), 206(6), 212(2), 224(12), 224(14), 306(16), 306(17), 407(12) and 602, Engrossed Substitute House Bill 2878 is approved.

Respectfully submitted,

/s/

Christine O. Gregoire
Governor