

2004 Supplemental Transportation Budget

Proposed Substitute Senate Bill 6215

OVERVIEW

Following the passage of the Nickel Transportation Package in 2003, the Legislature anticipated a 2004 supplemental session focused on the refinement of the new funding package and adjustments that would be necessary with continual legislative oversight of the program. Funding for freight related projects was left unresolved in the 2003 package. Members were seeking new sources for freight projects and looking forward to a new initiative to deal with the issue. Additionally, the legislature anticipated the development of new Transportation Benefit District (TBD) legislation for regions that were not included in the Regional Transportation Investment District (RTID) legislation.

This 2004 supplemental session arrived with those issues, as well as some unexpected challenges. The Supreme Court ruling on the validity of I-776 presented a revenue reduction to pre-existing revenues. New Coast Guard requirements associated with Home Land security for ferries placed additional burdens on both the ferry system and State Patrol. Additionally, a number of minor emerging issues require supplemental expenditures.

Project Management

Following legislative direction, the Transportation Commission has improved project tracking and management. As to be expected with a major new construction program, a number of adjustments to project scheduling are recommended. Minor adjustments to project cost and scope have also been identified. No projects have been added or subtracted from the 2003 Transportation (Nickel) Program.

The Senate has reviewed and adopted a majority of the department's recommended schedule changes to the Nickel and Current Law projects list. Changes in amounts and schedules are based on new and emerging project management information. All projects originally listed are slated for completion within the financial package adopted in 2003. The Senate also proposes an accelerated schedule for design of Alaska Way Viaduct. The Senate provides accelerated construction of I-405 and projects associated with the 2010 Olympics, including I-5 HOV at Everett and SR 539 (10 Mile to the Border) in Whatcom County. Accelerations are made possible through aggressive management of the Nickel program financial plan and an increased forecast of Nickel revenues.

Freight Program: \$16.6 million state funding, \$23 million new Federal funding:

Substitute Senate Bill 6680 creates the Freight Investment Program under the direction of the Transportation Improvement Board (TIB). When selecting a project that benefits freight movement, the TIB must give first and greatest consideration to Freight Mobility Strategic Investment Board (FMSIB)-identified projects. The TIB provides \$16.6 million of current law Transportation Improvement Account funding to fully fund six FMSIB-identified projects.

Substitute Senate Bill 6701 directs an expected \$69 million in reauthorized TEA-21 federal funding into the new freight program. Twenty three million of the federal funding is appropriated to TIB from a newly created Freight Mobility Account.

Ferry Security: \$3.3 million

Recently adopted federal regulations and international standards require the Department of Transportation to develop and implement a security plan for the ferry system. In support of the plan, Washington State Ferries will add five information technology positions, new security personnel and surveillance security equipment. The Washington State Patrol will add K9 teams and cadet surveillance teams to monitor vessel and terminal public areas, including vehicle waiting areas.

Regional Transportation Investment District (RTID) and Transportation Benefit Districts (TBD)

The Legislature has been carefully monitoring the RTID, created to provide a regional complement to state funding in King, Pierce and Snohomish Counties. As the RTID has been developing their plan for the ballot, they have identified several necessary technical adjustments to their enabling legislation. The RTID requested SB 6700 clarifying the RTID election process. The bill allows participating counties to submit a single ballot measure to the voters that approves formation of the RTID district, approves the investment plan, and approves the revenue sources to finance the plan. Additionally, the RTID requested SB 5874 which clarifying the roles of the RTID, WSDOT, and the Transportation Commission on RTID toll projects.

For other regions of the state outside of the central Puget Sound area, E2SSB 5585 provides a regional transportation funding mechanism similar to the RTID. The bill expands current law authority for Transportation Benefit Districts (TBDs) by providing that a TBD may be established at the county or city level, and may include partnerships between jurisdictions, including port and transit districts.

Revenue Bills

SB 6710 – Adjusting Transportation Fees. SSB 6814, enacted in 2002, required the Department of Licensing to conduct a study comparing the fees it charges for services to the cost of the agency to provide the service. This year DOL submitted the study to the legislature reviewing cost recovery for both the Drivers Services and Vehicle Services divisions. The study provided several types of information: data on which services were being subsidized by other fees; the date of the last fee increase for that service; and comparable fees in other states. SB 6710 increases some Department of Licensing fees to provide revenue sufficient to meet the cost of license issuance. \$15.9 million. (Motor Vehicle Account, Highway Safety Account)

SB 6110 – Reducing the license fee for private use trailers. In the 2002 session, the legislature repealed the statute that exempted small trailers from paying full vehicle registration fees. Because of this, small trailers became subject to the \$30 vehicle registration fee, and, in certain circumstances, became subject to local licensing fees. SB 6110 reduces the vehicle license fees for single axle trailers under 2,000 lbs from \$30 to \$15. \$3.9 million reduction of revenues. Senate Bill 6110 will be included in an amendment to SB 6710.

SB 6185 – Modifying the disposition of title fees. SB 6072 which passed during the 2003 session transferred some vehicle title fees to accounts funding three activities: (1) retrofitting school buses with exhaust emission control devices, (2) locating a tug boat at the entrance of the Strait of Juan de Fuca, (3) to provide funding to the nickel account. SB 6185 completes these title fee transfers to carry out the appropriations made in SB 6072. Funds are transferred from the Multimodal and Motor Vehicle Accounts to the Vessel Response and Clean Air Accounts.

Revenue Bills Continued:

ESB 6063: Fees on vehicle-related businesses. The cost to the state to provide regulatory and consumer protection services to the industries related to the manufacture, sale, and processing of motor vehicles greatly exceeds the fees charged for those services. Additionally, the majority of the fees related to the regulation of this industry have not been raised since the mid 1980's. ESB 6063 provides an increase in vehicle-related business fees to cover the cost of providing regulatory and consumer protection services for those businesses. \$813,000. (Motor Vehicle Account)

SSB 6676: Transfer of vehicle license plates. Currently, vehicle owners that own standard issue Washington license plates may not transfer their plate to a new vehicle. Under SSB 6676, vehicle owners who choose to transfer their existing license plate to a new vehicle are authorized to do so for a \$10 administrative fee. \$93,209. (Motor Vehicle Account)

Transportation Budget Comparisons

(Dollars in Millions)

2001-03 Transportation Funding

2001-03 Funding	3,375.7
Tacoma Narrows Bridge Bonds	800.0
2003 Total	4,175.7

2003-05 Transportation Funding (Nickel Package)

2003-05 Funding	* 4,353.6
2004 Supplemental Expenditure Differences	**49

Revised 2003-05 Funding/ 2004 Supplemental

4.4

* Includes first two years of 10-year New Law (Nickel Account) expenditures.

** Does not include Hood Canal Bridge

Note: \$344.7 million in Bond Retirement and Interest amounts are not included.

2004 Budget Challenges:

The I-776 elimination of gross weight fees for trucks 8,000 pounds and under resulted in a loss in revenue supporting several transportation accounts. The 10-year loss is \$205 million. The biennial loss follows below. A reduction in license fees for small trailers resulted in a \$3.9 million reduction.

I-776 Revenue Shortfalls: \$52.3 Million

- \$30.7 million Motor Vehicle Account revenue reduction;
- \$9.4 million State Patrol Highway Account revenue reduction;
- \$3.2 million (Nickel Account revenue reduction \$2.6) and (\$.6 Ferry Operations Account reductions)

\$43.3 I-776 Total Reduction

Non I-776 Revenue Shortfalls

- \$3.9 million reduction in Senate Bill 6110, which reduces license fees for small trailers. License cost is reduced from \$30 to \$15
- \$5.1 million transfer of Title Fees

2004 Budget Solutions:

Revenue losses and new liabilities are partially mitigated through transfers of available fund balances and cost-recovery related increases in several license fees, federal funding provided for ferries and a risk management reduction.

Adjustments: \$54 Million

- \$18.6 million state ferry capital funding is replaced with federal funding.
- \$15.9 million generated through fee adjustments in Substitute Senate Bill 6710. The bill allows the Department of Licensing (DOL) to reach cost recovery on selected services. Cost recovery is based on a DOL study presented to the Legislative Transportation Committee.
- \$8 million fund transfer from Transportation Equipment Fund.
- \$6 million risk management reduction.
- \$5 million net from State Patrol Highway Account fund balance.

10-year View:

The Senate proposal provides sufficient resources to fully address the 10-year I-776 loss and to maintain the construction program developed by the 2003 Legislature.

Balancing the 2004 Budget
(Dollars in Millions)

Problems	
Revenue Shortfalls I-776	43.3
Disposition of Title Fees (Tug bill fix)	5.1
Small Trailer License Fee Reduction	3.9
Total	52.3
Solutions	
Ferry Fund Swap w/ Feds	18.6
DOL Fee Cost Recovery & other revenue adjustments	15.9
Transportation Equipment Fund	8
Risk Management Reduction	6
State Patrol Highway Acc. Fund Balance	5
Total	53.5

Highway and Freight Expenditures

Current Law Projects:

- \$600 thousand is provided for additional noise walls on I-5 by Salmon Creek.
- \$6.1 million (\$1 million in 03/05) is provided for the Purdy Creek Bridge.
- \$1.3 million in new WSDOT highway and ferry expenditures, including the Skagit River Flood Mitigation, Mt. St. Helens studies and Keystone Terminal study.

New Law Projects:

All WSDOT recommended adjustments to the 'Nickel' projects are adopted.

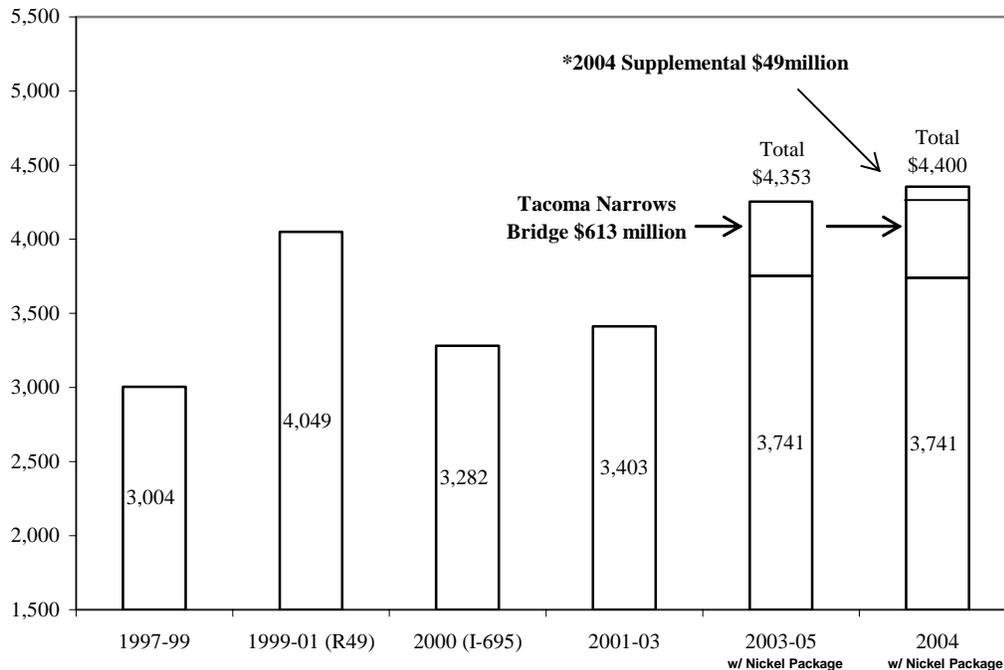
Additionally, the following opportunities presented by the WSDOT are adopted:

- Preliminary engineering on the Alaskan Way Viaduct is accelerated to correspond with the selection of a preferred alternative and the planned 2008 construction start date.
- The SR405/SE 8th to I-90 (South Bellevue) and the SR 520 to 522 (Kirkland) are accelerated in order to complete work two years ahead of schedule.
- The Senate provides accelerated construction of projects associated with the 2010 Olympics, including I-5 HOV at Everett and SR 539 (10 Mile Road to the Border) in Whatcom County.
- Senate Bill 6679 provides for acceleration of SR 16 – Burley Ollala safety project by utilizing Tacoma Narrows Bridge bond proceeds. Those funds will be reimbursed with funds programmed for the project through the Nickel Program.

Freight Projects:

\$39.5 million is dedicated to the newly created Freight Investment Program at the Transportation Improvement Board. This funding includes \$23 million in new federal monies and a dedication of \$16.5 million in Transportation Improvement Account funding.

**Transportation Appropriations
1997-99 to 2004 Supplemental
(Dollars in Millions)**



***Does not include Hood Canal Bridge**

Other Transportation Expenditures

Washington State Ferries:

- \$300,000 is provided for a study on alternatives to relocating the Keystone terminal. The currently programmed Keystone terminal project funds are set aside in the financial plan for the possible implementation of the alternative.
- Funding for the fourth vessel has been accelerated from 2011-13 to 2007-11. This adjustment provides for more efficient contracting and millions of dollars in savings associated with building the four vessels consecutively.
- \$15.4 million has been received in one-time federal funding, including \$9.4 million for ferry security equipment purchases.
- Funding for the Vashon to Seattle passenger-only ferry has been reduced to \$1.5 million, and associated savings in capital projects totaling \$1.5 million have been realized. The Senate budget lays the groundwork for operation of passenger-only ferries by private providers. \$3 million in toll credits are assigned to Kitsap Transit to assist them in obtaining a federal match for passenger-only ferry capital projects, which alleviate the need for state or local funds.

Public Transportation:

- Greater flexibility is provided for special needs transportation providers. Sixty percent of funds are provided for additional service, and forty percent of the funds are for capital and operating expenses associated with existing service.
- The use of vanpool funds provided in 2003 is expanded to include incentives to employers to increase employee vanpool use.

Department of Licensing:

- \$2.4 million is provided to purchase and implement digital license plate printing equipment. (\$2 million from the License Plate Technology Account, \$400 thousand from the Motor Vehicle Account).
- \$495 thousand is provided for renewal of drivers' licenses via the internet or through the mail.
- \$700 thousand is provided to replace outdated printers in vehicle licensing offices throughout the state.
- \$400 thousand is provided to bring the Commercial Driver's License program into compliance with federal law.
- \$400 thousand is provided to increase regulatory activities in Manufacturer and Dealer Services as a result of fee increases in ESB 6063.
- \$452 thousand is provided to prepare to implement a biometric security system for drivers' licenses to prevent identity fraud.

Washington State Patrol

- \$1.8 million will add K9 teams and cadet surveillance teams to monitor vessel and terminal public areas, including vehicle waiting areas
- \$948 thousand is provided for Driving Under the Influence (DUI) equipment. The funding includes a \$198 thousand grant that matches DUI fine revenue redirected to the State Patrol Highway Account.
- \$873 thousand is provided for the Motor Carrier Safety Assistance Program. The funding includes \$573 thousand in federal funds provided for the New Entrants Program and border protection.