

**Senate Transportation Committee
Proposed 2009-11 Senate Transportation Budget Summary**

An economic recession, a volatile global oil market, and continued decline in vehicle miles traveled have severely impacted the outlook for dedicated transportation revenue. When compared to the 2008 supplemental budget, the combined effect of double and triple digit annual construction cost inflation pressures and declining revenues is -\$514 million in the 2009-11 biennium and -\$6 billion over the 16-year financial plan.

A brief summary of the financial viability of the 16 year project plan since the enactment of the 2005 Transportation Partnership Act is on page 6 of these highlights.

Current Budget Conditions

Fortunately, transportation revenue and investment packages authorized by the Legislature in 2003 and 2005, and endorsed by citizens via the initiative process, are peaking at the very time when public investment in infrastructure is needed to bolster the sagging economy. Construction cost inflation pressures experienced over the last three years have also moderated, resulting in a number of recent project bids coming in below engineers' estimates.

The weak economy, in combination with a competitive bid environment, presents a unique opportunity to maintain planned, unprecedented levels of transportation spending in the 2009-11 biennium as a means to help jump start the economy and create jobs.

To help accomplish this goal, the 2009-11 Senate Transportation Committee budget assumes issuance of 30 year bonds to leverage forward investments in transportation infrastructure. Extending the term of transportation bonds from 25 to 30 years also better aligns with the useful life of the assets being built.

The result is over \$4.3 billion in transportation project investments in the Senate Transportation Committee budget. Over 400 projects are funded and scheduled to move forward.

Some examples include:

- I-5/SR 161/SR 18 "Triangle" - Interchange Improvements
- SR 3/Belfair Area - Widening and Safety Improvements
- SR 6/Willapa River Br - Replace Bridge
- SR 9 Corridor Improvements
- SR 11/I-5 Interchange - Josh Wilson Rd - Rebuild Interchange
- US 12/Frenchtown Vicinity to Walla Walla - Add Lanes
- SR 27/Pine Creek Bridge - Replace Bridge
- SR 28/Jct US 2 and US 97 to 9th St - Stage 1
- US 101/Hoh River (Site #2) - Stabilize Slopes
- SR 167 New Freeway
- SR 167/8th St E to S 277th St - Managed Lane
- I-205/Mill Plain Interchange to NE 18th St - Stage 1 & Build Ramp
- SR 502/I-5 to Battle Ground - Add Lanes
- SR 510/Yelm Loop - New Alignment
- SR 522/Snohomish River Bridge to US 2 - Add Lanes
- Increased funding for the Department's significant maintenance backlog (\$16.8M)

**Senate Transportation Committee
Proposed 2009-11 Senate Transportation Budget Summary**

In addition to an unprecedented level of state transportation infrastructure investment, recent American Recovery and Reinvestment Act (ARRA) federal stimulus funding for transportation projects totals nearly \$700 million. As a result, almost \$5 billion in transportation related spending is scheduled to take place throughout the state over the next 24 months.

A complete list of federal stimulus highway projects (local and state) is included in this document for reference.

Criteria for Prioritizing Transportation Investments

The forecast loss of nearly \$3 billion in revenue over the next 16 years means last year’s capital construction project schedule is no longer feasible. After prioritizing projects relative to available revenue under the current forecast, projects not meeting certain criteria are delayed in the 16 year transportation finance plan.

The first criterion used for prioritizing transportation investments was to maintain forward momentum on mega-projects and projects of regional significance.

Criteria	Status	Projects
Mega-projects and projects of regional significance	Fully fund at 2008 level “Moving Forward” enhancements to US 395, SR 99	<ul style="list-style-type: none"> ▪ I-5/Tacoma HOV Improvements ▪ I-90/Snoqualmie Pass East ▪ SR 99/Alaskan Way Viaduct Replacement ▪ SR 395 North Spokane Corridor ▪ I-405 Corridor Projects ▪ SR 520/Bridge Replacement and HOV

Additional criteria were used for prioritizing the remainder of the 16 year finance plan. 30 planned highway projects were delayed pending additional, future transportation revenue.

Criteria	Status	Projects
Programmatic placeholders	Candidate for reallocation. Apply resources to remaining projects	<ul style="list-style-type: none"> ▪ Guardrail Retrofit Program (Nickel) ▪ Park & Ride Placeholder - Improvement ▪ Statewide Roadside Safety Improvements Program (TPA)
Projects not fully funded in the 16-year plan	Candidate for delay	<ul style="list-style-type: none"> ▪ SR 3/Belfair Bypass - New Alignment ▪ I-90/Two Way Transit - Transit and HOV Improvement ▪ SR 539/Tenmile Road to SR 546 - Widening ▪ SR 704/Cross Base Highway - New Alignment
Projects incomplete by 2015	Candidate for delay	<ul style="list-style-type: none"> ▪ SR 161/36th to Vicinity 24th St E - Widen to 5 lanes ▪ US 195/Spring Flat Creek - Bridge Replacement ▪ I-205/Mill Plain Interchange to NE 18th St - Build
Projects incomplete by 2013	Candidate for delay	<ul style="list-style-type: none"> ▪ SR 20/Sharpes Corner Vicinity - New Interchange
Structurally sound bridges	Candidate for delay	<ul style="list-style-type: none"> ▪ SR 3/Fairmont Ave to Goldsborough Creek Br - Replace ▪ SR 4/Abernathy Creek Br - Replace Bridge ▪ SR 109/Moclips River Bridge - Replace

**Senate Transportation Committee
Proposed 2009-11 Senate Transportation Budget Summary**

In addition to these policy changes, 19 transportation projects currently fall outside of the funded timeframe based on the 2008 supplemental transportation budget. Some examples include:

- US 12/Old Naches Highway - Build Interchange
- SR 20/Gulch Bridge - Replace Bridge
- I-405/NE 44th St to 112th Ave SE - Widening
- SR 290/Spokane River E Trent Br - Replace Bridge
- SR 508/Creek Bridge East and West - Replacement

Ferries

In 2007, the Legislature froze ferry fares for two years and substantially reduced ferry capital construction while evaluating a new plan for Washington State Ferries (WSF) operating and capital needs. The 2007-09 biennium also provided WSF the opportunity to undergo a meaningful operational transformation. This budget charts a new path forward for WSF by funding and implementing several key recommendations from the Joint Transportation Committee (JTC) study including: beginning new ferry construction, ferry service and operations efficiencies, and recognizing the need for ongoing system improvements.

- **New Ferry Construction**
 - The budget provides capital funding for the purchase of a total of four Island Home class (64-auto) ferry vessels within the 2009-11 and 2011-13 biennia, and begins funding for 144-auto vessels in subsequent biennia.
 - The budget continues to provide no major funding for terminal improvements; however, if WSF seeks and receives additional federal funding, it may be used to replace the Anacortes ferry terminal.
- **Ferry Service and Operations**
 - Operating funding is provided for all routes, including maintaining the service to Sidney, B.C.
 - The budget holds the line on ferry fares by assuming no more than a 2.5% fare increase, and assumes various efficiencies recommended by the JTC study.
 - The budget directs the Transportation Commission to develop an administrative mechanism for a fuel surcharge in anticipation of integrating this mechanism into the system during the 2011-13 biennium.
 - Funding is provided to begin a WSF reservation system after a pre-design study is completed and the JTC recommends a proposed plan to the Legislature in 2010.
- **Ongoing System Improvements**
 - The JTC is directed to continue its work during the 2009-11 biennium by examining activities external to the workings of the WSF, including employment issues, vessel procurement processes, and third-party project management for vessel and terminal projects.

Operating Program Savings and Efficiencies (\$31 Million, 31 FTEs)

**Senate Transportation Committee
Proposed 2009-11 Senate Transportation Budget Summary**

In the midst of an economic downturn it is essential to find ways to make government work better. The Senate Transportation Committee budget realizes the following operational savings:

- Captures and implements line-by-line savings from the Governor-directed freezes (saves \$15 million);
- Requires the Department of Transportation to realign its regional offices and reduce the number of employees accordingly (ESSB 5682, saves \$6.7 million); and
- Authorizes the Department of Licensing to close seven identified licensing service offices resulting in cost savings and resulting efficiencies (saves \$4.1 million in 2009-11, \$4.7 million 2011-13).

Rail

In 2003, \$350 million in general obligation bonding authority was provided for multimodal transportation projects. \$233 million in general obligation bond authorization remains to date. The majority of this authority was programmed on rail projects.

Due to a dramatic decline in general state revenues, state capital budget debt capacity is sharply constrained. As a result, \$120 million of general obligation bonding authority was removed from rail projects, adding additional capacity to the capital budget.

The rail program is now funded exclusively on a cash basis. To accommodate cash flow needs, a number of rail projects are delayed but still fully funded in the 16 year timeframe. Using the Governor's proposed project list as a starting place, the Senate Transportation Committee budget used the following criteria to determine project delays:

- If proposed funding in the 2009-11 biennium completes the project, it was fully funded for 2009-11; and
- If the project could not be completed in 2009-11, funding was delayed to accommodate cash flow needs.

The greatest impact is seen on the three major north-south rail projects: Kelso-Martin Bluff, Point Defiance Bypass, and Vancouver Rail Bypass. However, the Senate Transportation Committee budget anticipates these projects will be competitive for federal high-speed rail stimulus funding.

Public Transportation

Amidst rising gas prices, job losses, and a desire to reduce our dependency on foreign oil, keeping state commitments to public transportation programs and infrastructure is increasingly important. Public transportation is an affordable transportation option and a vital service for our most needy.

**Senate Transportation Committee
Proposed 2009-11 Senate Transportation Budget Summary**

Most importantly, the Senate Transportation Committee budget maintains prior legislative commitments to the Regional Mobility Grant program by fully funding the program at \$40 million.

Additionally, the budget provides funding for the following:

- Paratransit & special needs grants
 - The budget includes \$25 million for competitive and formula grants for transportation for people with special needs. Funds go to transit agencies and nonprofit transportation providers of services such as for the elderly and people with disabilities;
- Rural mobility grants
 - The budget includes \$17 million for public transportation in and between rural communities. This flexible grant program helps rural communities serve people who rely on public transportation; and
- Vanpool grant program
 - The budget includes \$7 million for a vanpool grant program for public transit agencies to add vanpools or replace vans, and for incentives for employers to increase employee vanpool use.

Planning for the Future

The world is changing. Existing sources of state and national long-term transportation funding are not sustainable. In addition, new car technology and policies to reduce greenhouse gas emissions have a significant and negative impact on transportation revenues. A concerted effort is needed to merge a new reality with new policies, and bring key stakeholders together to develop and drive the transition.

The budget provides funding for the JTC to conduct a comprehensive analysis of mid-term and long-term transportation funding mechanisms and methods. The study is intended to facilitate the development and possible implementation of alternative transportation funding methods.

**Senate Transportation Committee
Proposed 2009-11 Senate Transportation Budget Summary**

A brief summary of the financial viability of the 16 year project plan since the enactment of the 2005 Transportation Partnership Act

2006 Session Supplemental Budget

- Revenue forecast remained essentially unchanged from original estimates used to support the Nickel and Transportation Partnership Packages' capital investment plans.
- Minor schedule changes and reallocation of state and federal funds supported by passage of the federal reauthorization act known as SAFETEA-LU. Capital cost increases of around \$100 million are covered primarily by federal revenues.
- Amended Capron Act to provide additional funds for operating the ferry system and stabilizing ferry fares.

2007 Session 07-09 Biennial Budget

- 16 year revenue forecast holds up despite near-term pressure from rising fuel prices. Forecast decrease in fuel prices in outer-biennia keeps overall revenue picture stable.
- Global construction boom raises demand for construction related commodities (steel, concrete, etc.) and skilled labor. Construction cost inflation fuels \$2 billion in costs increases to planned, 16-year capital construction estimates.
- Stable revenue forecast allows for increased bond authority to accommodate construction cost increases.
- Provided additional fee revenue to support enhanced Washington State Patrol program funding.

2008 Session Supplemental Budget

- Increasingly volatile global crude oil market and surge in global demand for petroleum products pushes fuel prices to record levels. Forecast demand for fuel is sharply lower impacting both state and federal fuel tax revenue forecasts. These events coupled with federal legislation increasing fuel economy standards eliminated approximately \$1.5 billion in revenues from the 16-year financial plan.
- Construction cost inflation leads to further refinement in costs estimates adding approximately \$300 million to the 16-year capital construction spending plan.
- A continued decline in near-term and forecast global interest rates supports balancing of long-term financing plan.