

Proposed 2010 Transportation Budget

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House Transportation Committee

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Transportation Budget Overview

House Transportation Chair Proposed Budget Overview

Financial Trends in Transportation

Since enactment of the 2009-11 biennial transportation budget, transportation revenues have declined approximately \$121 million for the biennium and almost \$347 million over the course of the existing 16-year transportation financial plan. Combined with fuel cost increases, it is expected that over the 16-year plan there will be a deficit of roughly \$500 million.

This continued erosion of transportation revenues will mostly affect: maintenance, preservation and environmental stewardship of the existing highway system; support of the Washington State Patrol's highway safety mission; and operation and preservation of the Washington State Ferry system.

However, the Nickel and Transportation Partnership Act construction programs remain viable for the 16-year planning period.

- Of the 391 Nickel and Transportation Partnership Act projects originally authorized, 233 were completed as of November 2009, 56 were under construction, and 26 were headed for advertisement. This means that by May 31, 2010, fully 81 percent or \$6.4 billion worth of projects have been completed or are underway.
- Furthermore, federal American Recovery and Reinvestment Act (ARRA) funding has made possible 198 state and local projects, valued at \$340 million, all of which will be obligated by March 2010, meeting federal timelines.
- In the first six months of the 2009-11 biennium, bids have come in on average 24 percent below the engineer's cost estimates. The resulting savings of about \$57 million dollars have allowed the DOT to meet the inflation savings targets set by the Legislature in the underlying 2009-11 budget.
- Favorable interest rates in the debt markets, along with a federal stimulus bond program with subsidized rates, have made borrowing cheaper, resulting in \$195 million in long term state savings.

Budget Development Principles

In this Supplemental Budget year, the House Chair's transportation proposal funds only those changes which are in accord with the following principles and objectives:

- The supplemental budget should address technical adjustments to existing state transportation policy;
- Transportation budgets should reflect savings in administrative functions consistent with the budget freezes adopted for state government as a whole;
- The remaining transportation bond capacity should be conserved, to protect against potential deterioration in the state credit rating; and,

- Any new projects should be limited to those which address emergent issues or which have received federal or other funds.

Budget Summary

The House Chair's proposed 2010 Supplemental Transportation Budget makes adjustments to the underlying 2009-11 budget, resulting in \$8.5 billion in funding for transportation activities and construction in the two-year period.

Fuel: The budget provides just under \$32 million to reflect increases in fuel prices since the passage of the original 2009-11 budget.

Of these amounts, \$27 million is provided to the ferry system, \$2.3 million is provided to DOT's maintenance crews, and \$2.2 million is provided for the increased cost of fueling the troopers' patrol cars.

The House Chair's proposal defers the implementation of a ferry fuel surcharge. This policy will be reevaluated after further implementation of initiatives to conserve fuel and reduce the effect of price volatility on the fuel budget.

Ferries: The proposed budget continues to support the Washington State Ferries vessel delivery schedule, with the first of the Kwa-di Tabil (64-car) class being delivered during the Summer of 2010, the second scheduled for delivery in Spring of 2011, and the third for Winter of 2012. In addition, the proposed budget provides an additional \$8.45 million to finalize the detailed design work on the larger 144-auto vessels.

In an effort to balance costly terminal improvements with customer demand on Washington State Ferries, the proposed budget provides funding for future development of a cost-effective reservation system.

Rail: On January 28, 2010, the Federal Rail Administration awarded to Washington State \$590 million for projects that increase passenger rail service along the Interstate 5 corridor. The federal funds are targeted toward two additional round-trips between Seattle and Portland. The projects necessary to reach this goal include the Vancouver Rail Bypass project, the Kelso to Martin's Bluff 3rd Mainline project and the Tacoma Pt. Defiance Bypass project.

The Chair's proposed budget provides \$2.2 million and 5.7 full time equivalent staff to ensure the receipt of these funds and implementation of the projects. The budget also includes \$2.5 million for the increasing costs of providing Amtrak service.

Stormwater: An additional \$3 million is provided for the Department of Transportation to meet its obligations under its National Pollutant Discharge Elimination System permit. Funding will support the purchase of vacor trucks and vacor decant facilities, stormwater facility inspection and maintenance, stormwater database development, and permit fees. The Joint Legislative Audit and Review Committee is directed to review the

most cost-effective way for the Department of Transportation to meet its stormwater responsibilities.

Tolling: With the declining purchasing power of the gas tax, tolling will play an increasing role in the financing transportation projects. Tolls are currently only collected on the Tacoma Narrows Bridge and the State Route 167 High Occupancy Toll (HOT) lane pilot project. The House Chair's budget proposal supports efforts under way throughout the state to prepare the way for further use of this financing tool in the future:

- Authorization of HOT lanes on the 405 corridor consistent with SHB 2941, with initial investments being made on the north end of the corridor;
- Freeing up early toll revenue on the 520 Bridge for use throughout the corridor;
- A study of tolling of the I-5 express lanes through Seattle; and,
- Authorization of a bi-state approach to tolling for the Columbia River Crossing.

Planning for the future: \$2 million is provided to the Department of Transportation to begin scoping and design work for the next construction program. The Department is directed to focus its efforts on projects which:

- Offer solutions which maximize benefits to all state residents;
- Provide cost-effective solutions to achieve functional outcomes;
- Address mobility, safety, and preservation;
- Consider impacts of diversion from tolled facilities; and,
- Build on prior investments made in the Nickel and TPA programs.

To address future public transportation needs, the proposed supplemental budget also provides \$350,000 to the Joint Transportation Committee to assess the capital and operating needs of transit agencies and to develop a blueprint to guide investments in public transportation and to establish a plan to improve service, public access to public transit, and connectivity between public transit providers across jurisdictional boundaries.

Projects: The Chair's proposed budget does include investments in new projects made possible by the receipt of federal emergency and other funds:

- \$35 million in federal TIGER grants awarded to the North Spokane Corridor;
- State Route 410 route reconstruction, due to the Nile Valley landslide;
- Increased federal Border funds for projects in border counties; and,
- Additional funding in the Rural Arterial Trust Account will allow \$16 million in investments in projects by the County Road Arterial Board.