

2012 SUPPLEMENTAL TRANSPORTATION BUDGET SUMMARY

The Senate Transportation Committee's proposed 2012 supplemental transportation budget adjusts the 2011-13 transportation budget providing a combined total of \$9.8 billion in transportation funding for the two-year budget period. For the 2011-13 biennium, the overall increase in expenditures is nearly \$800 million, due primarily to full appropriation of existing bond authorization for the SR 520 Bridge Replacement program. Additionally, the proposed budget includes additive funding, conditioned on the enactment of certain fee bills, to address forecasted shortfalls in the major state transportation accounts and to advance work on certain highway investments around the state.

Current Law Supplemental Budget Highlights

Forecasted transportation revenues are relatively unchanged compared to last year's baseline March 2011 forecast. However, there is virtually no forecasted growth in transportation revenue over the 10 year forecast period. Under-spending of approximately \$320 million in the 2009-11 biennium has boosted beginning fund balances in the current budget period. This coupled with decreased spending of around \$140 million, attributable to lower than predicted project bids and decreased debt service in the underlying supplemental budget, provides funding stability in the current 2011-13 budget period.

In addition to adjusting the underlying biennial budget, the Committee's proposed supplemental budget also directs significant reforms within the Department of Transportation (DOT), to include:

- Reducing its workforce in administrative programs (information technology, planning, program management, finance, and administration) by 5-7% at the end of the 2013-15 biennium. As part of this reduction, the DOT is directed to increase the ratio of staff to managers. This is expected to save \$8.4 million per biennium beginning in 2015-17; and
- Streamlining reporting requirements by eliminating duplicative and unused project reports. The DOT must report quarterly on the scope, schedule and budget of completed projects, projects under construction, and planned projects. In addition, the DOT must report on the contingency reserves for all active projects.

Capital Program Changes

The Committee's proposed budget includes a few significant project changes and maintains previous legislative commitments:

- As was the case with the Tacoma Narrows Bridge project, full appropriation of the remaining bond authority for the SR 520 Bridge Replacement program is provided for the currently planned floating bridge and eastside replacement projects. Full

appropriation authority allows the DOT and the Treasurer's office to better manage bond issuances and needed cash flow, thereby allowing access to more favorable financing terms through the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program. This lower borrowing rate in combination with federal grant funds allows an additional \$202 million to be allocated for construction of a new bridge over Portage Bay on the Westside connection of the SR 520 floating bridge. The additional funding brings the funded project total to \$2.6 billion.

- Priority to improving Snoqualmie Pass with the majority of construction, including the wildlife crossing, anticipated to be completed during the 2015-17 biennium.
- Matches Oregon's commitment of \$85.2 million for preliminary engineering on the Columbia River Crossing. However, the DOT is directed to spend funds only when there is 5% parity between the total value of the funding expended between the two states.
- \$15 million in federal TIGER grant funds will allow new work in the Joint Base Lewis McChord area, on the Interstate 5/SR 510 to SR 512 - Mobility Improvement project. Population and congestion growth in the Joint Base region has been dramatic in recent years. The performance of I-5 through this area will be improved through the use of intelligent transportation system technologies, hard shoulder running techniques, and other improvements.
- Maintains the scope, schedule, and budget of investments on the SR 9 Corridor between Lake Stevens and Arlington.
- Provides \$15 million for a traffic management center in Seattle to support safety systems required for the SR 99 Deep Bore Tunnel operations.
- \$40 million is committed for preliminary design and right of way acquisition to replace the I-405 intersection with SR 167.
- \$3.8 million is provided for completion of the water line hook-up at the Washington State Patrol's academy in Shelton. This is the final phase of a multiyear project that will provide the agency with potable water and allow them to decommission the limited capacity well that they are currently using.
- \$641,000 is provided for safety, security, and public outreach activities regarding the use of liquid natural gas powered vessels in the Washington state ferry fleet.
- Approves three new freight rail projects for low-interest loans from the state freight rail investment bank program (two in Tacoma and one at the Port of Longview.)

- Adds a new preservation project for the state-owned Palouse River & Coulee City (PCC) rail line that will fund preservation through revenue generated from PCC leases and the Grain Train Program.

Operating Program Changes

The Committee's proposed budget decreases transportation operating programs overall by \$18 million, with most savings coming from reduced debt service and savings in general government costs.

The Committee's proposed budget includes the following notable policy increases:

- \$2.9 million in savings from ferry fuel hedging is applied toward any future increases in fuel costs. This policy reduces the likelihood of a fuel surcharge being added to ferry fares during the current biennium.
- \$2.1 million for fuel cost increases experienced by the DOT and the Washington State Patrol (WSP).
- \$2.7 million to continue the Target Zero team enforcement in King, Pierce and Snohomish counties. This program targets full-time, high visibility, DUI enforcement teams in areas and times of the day and night where detailed analysis has shown impaired-driving-related crashes are most likely to occur.
- \$820,000 of federal and state funds are provided to implement Engrossed Substitute Senate Bill 6150, which includes a facial recognition matching system to help the state combat identity fraud. The Department of Licensing (DOL) is directed to provide certain information to the public about the facial recognition system and report back to the Governor and the Legislature on the number of license fraud investigations initiated by DOL based on results from the system.
- \$2.5 million investment in the first phase of an updated information technology system for the DOL.
- \$963,000 to implement the new limousine regulation program established by chapter 374, Laws of 2011.

New Revenue and Expenditure Summary

Future transportation revenues are expected to be flat or declining. At risk are Legislative commitments to pay debt service on the bonds issued to pay for projects authorized in 2003 and 2005, current levels of ferry service, maintenance and preservation of the highway system, funds used to support the WSP's efforts to keep our roadways functioning safely, as well as commitments to non-highway modes and public transportation agencies throughout the state.

To address these upcoming shortfalls, three new revenue fee bills are proposed for transportation purposes: Engrossed Substitute Senate Bill 6150 (drivers' license technologies and fees), Engrossed Substitute Senate Bill 6455 (vehicle and dealer fees), and Second Substitute Senate Bill 5251 (electric vehicle fee). At full biennial implementation, the fee increases are expected to provide an estimated \$80 million annually to support continued operation of the state's transportation network.

For the current biennium, the new revenue is allocated as follows:

- \$130 million to fund a second 144-car capacity vessel. With this funding, shipyards could commence work in December 2012 with an expected in-service start in January 2015.
- \$9 million for restoration of the WSP's auto theft program, to provide additional funding for compliance with the Federal Communications Commission's "narrowbanding" requirements related to upgrading radio systems, and for general agency operations.
- \$6 million is provided to the DOT to reduce the highway maintenance backlog and to meet urgent preservation needs on the state's roadways.
- \$3.5 million to support transit service. The funds are available to all public transit agencies in Washington and distributed based on current service hours, service miles and passenger trips provided.
- \$6 million for the purchase of fuel for ferry operations.
- \$3 million for the Transportation Improvement Board to meet urgent preservation and storm water needs at the local level.
- \$3 million for the County Road Administration Board for urgent preservation needs on county roads.
- \$2 million for additional Safe Routes to Schools projects.

- \$1 million for partnership projects managed by the Freight Mobility and Strategic Investment Board.

- In addition, just over \$27 million in new funding will be made available over the next three years to advance design, preliminary engineering, or right-of-way acquisition for the following state highway projects:
 - \$1 million for the Red Mountain interchange project;
 - \$2.5 million for the I-5 Federal Way - triangle vicinity improvements;
 - \$5 million for the Joint Base Lewis McChord Corridor;
 - \$4.5 million for the 124th Street and 148th interchanges on SR 520;
 - \$5 million for SR 509 Des Moines to Sea-Tac corridor;
 - \$650 thousand for SR 9 Snohomish River Bridge widening project;
 - \$5 million for the North Spokane Corridor;
 - \$2 million for the Sharpes Corner intersection project;
 - \$850 thousand for the I-82 Union Gap project;
 - \$500 thousand for the SR 3/304 interchange project; and
 - \$200 thousand for the SR 28 East Wenatchee corridor improvements.