

## **PSHB 2322 - House Chair's proposed supplemental transportation budget**

The House Chair's proposed supplemental transportation budget updates the 2019-21 biennial budget to address changes that have occurred since the 2019 legislative session. This includes changes to revenues, primarily related to the passage of Initiative 976; changes to spending, especially as related to capital project delivery schedule changes; and changes in available fund balances. Overall, the proposed budget increases 2019-20 total appropriations by \$350 million to a new expenditure authority total of \$10.2 billion.

### Resource Changes

In November 2019, Washington voters enacted Initiative 976, eliminating and reducing several state and local revenue sources. The Initiative reduces vehicle licensing fees and repeals passenger vehicle weight fees, the 0.3 percent retail sales and use tax on motor vehicles dedicated to non-highway purposes, the authority of transportation benefit districts to impose vehicle fees, and Sound Transit's authority to impose a motor vehicle excise tax. While the court has issued an injunction in response to a lawsuit, effectively putting the provisions of the Initiative on hold, the House Chair's proposed budget assumes for revenue and spending purposes that the Initiative is ultimately upheld.

The fiscal effect of the Initiative in the current biennium is a loss of revenue to the state of \$453 million, increasing in magnitude to \$684 million in the 2021-23 biennium once fully phased in. With forecasted revenues otherwise expected to be \$6.73 billion, the loss represents about a 6.7 percent reduction in revenues. The reduction is most significant to the state's flexible transportation accounts, which may be used for any transportation purpose. Revenues to the Multimodal Transportation Account, the most impacted and the most flexible of the transportation accounts, are reduced from \$541 million to \$202 million in 2019-21, a loss of \$339 million (-63%).

Meanwhile, available fund balances have increased due to agency spending reversions in the now-closed 2017-19 biennium. Agency under-expenditures totaling more than \$1.1 billion in 2017-19 resulted in a \$494 million increase in 2019-21 beginning fund balances as well as significant amounts of bonds planned to be sold that went unissued in 2017-19. Of the \$1.1 billion that was not expended last biennium, \$854 million is programmed for reappropriation in the 2019-21 biennium.

### Addressing the Resource Reductions

#### *Multimodal and Flexible Accounts*

The impact of the Initiative to the Multimodal Transportation Account and other flexible accounts is \$339 million. To mitigate the impacts, the House Chair's proposed budget:

- Shifts \$104 million in expenditures to 18th amendment accounts for the purposes of the State Ferry System and the State Patrol; and

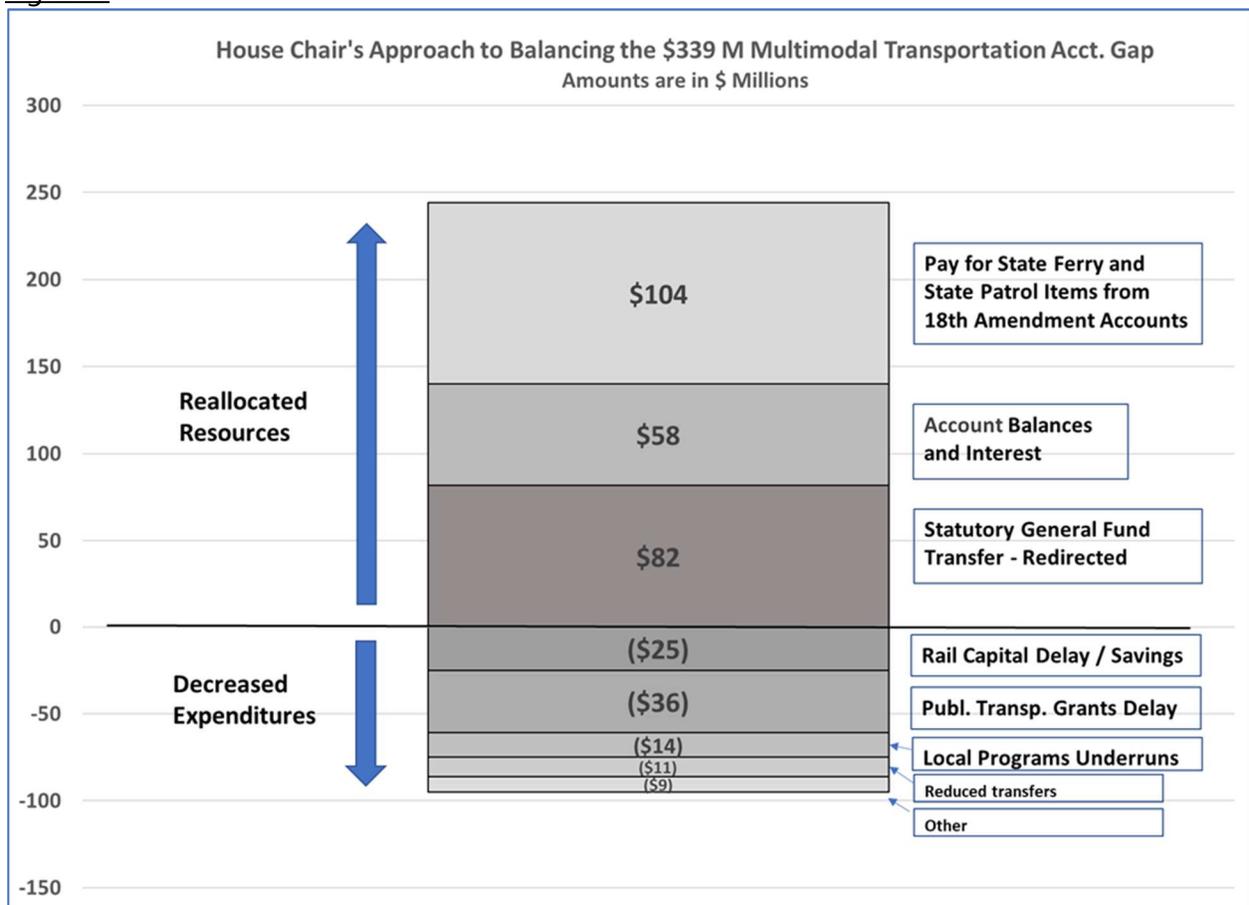
- Redirects \$82 million in general funds that otherwise would have been received by the Connecting Washington Account to the Multimodal Transportation Account.

The result is a gap in funding of \$153 million. To fill this gap, the House Chair's proposed budget:

- Delays or reduces rail capital projects into the 2021-23 biennium, saving \$25 million;
- Delays various Washington State Department of Transportation (WSDOT) Public Transportation Program grants to the 2021-23 biennium, saving \$36 million;
- Captures \$14 million in expected WSDOT Local Program project underruns;
- Reduces appropriations in the Complete Streets and Electric Vehicle Accounts to eliminate the need for \$11 million in transfers from the Multimodal Transportation Account;
- Assumes a further delay of the expansion of daily runs on the Amtrak Cascades route, saving \$5 million;
- Makes \$4 million in other reductions and delays; and
- Relies on \$58 million in available fund balances and added interest earnings.

The House Chair's solution to addressing the Initiative is shown in Figure 1.

Figure 1



*Highway-Restricted / 18th Amendment Accounts*

The impact of the Initiative to 18th Amendment accounts is \$112 million. After the budget shifts and the redirection of general funds to mitigate the impacts to the Multimodal Transportation

Account, the impact to 18th Amendment accounts grows in magnitude to a gap of \$298 million in funding. While the Governor's approach to addressing this gap relied on delaying the issuance of a number of project contracts and on increasing borrowing, the House Chair's proposed budget takes a different approach:

- The proposed budget assumes that all project contracts that were put on "pause" by the Governor will proceed once the Governor signs the budget. The four-month delay results in about \$104 million in savings (as opposed to the \$180 million the Governor had assumed from a seven-month delay).
- Relating to highway and other capital projects, the House Chair's proposed budget captures savings of \$18 million attributable to canceled or closed out projects.
- Relating to staffing allotments and operating programs, the House Chair's proposed budget takes mostly one-time savings across several programs of about \$29 million.
- Another \$4 million in savings is captured from taking the ferry Elwha out of service.
- Several other administrative and other miscellaneous reductions amount to \$3 million in savings.
- The rest of the gap (about \$140 million) is addressed in the House Chair's proposal through project reductions based on updated information in the WSDOT Improvements Program and through assumed project underruns in the WSDOT Local Programs.

#### Maintaining Legislative Priorities

In the face of reduced resources attributable to the passage of the Initiative, the House Chair's proposed budget maintains priorities that have been established by the Legislature. These include:

- Maintaining full funding for WSDOT Highway Preservation, \$839 million.
- Funding the executive branch request for fish passage barrier correction, \$275 million.
- Restarting the "paused" WSDOT projects as soon as practicable after enactment.
- Maintaining funding for the Colman Dock and Mukilteo State Ferry System terminal projects, \$240 million.
- Supporting and enhancing REAL ID implementation and outreach strategies at the Department of Licensing.
- Maintaining Green Transportation capital grant funding of \$11.5 million.
- Maintaining current biennium funding for WSDOT Local Programs trail projects.
- Maintaining existing funding for the WSDOT Public Transportation Program for Special Needs Transportation assistance.

#### Addressing Identified Agency Needs Concerning Safety, Security, and Support

The House Chair's proposed budget provides added spending authority for agency needs that concern safety, security, and support. These include:

- \$6.0 million to the State Ferries System at WSDOT for training, inspections, and naval architecture support.

- \$3.6 million to the State Patrol to address backlogs of impaired driving case submissions at the state toxicology lab, to enhance cybersecurity tools and support, and to maintain E911 operations in King County.
- \$13 million to WSDOT for the transition to a new back office system and customer service center for the Tolling Program.
- \$33 million to WSDOT to maintain project schedules on several projects, including the Alaska Way Viaduct replacement project, the I-5/Northbound Seneca Street to SR 520 project, and the SR 290/Spokane River East Trent Bridge preservation project.

### Addressing Legislative Priorities

Funding is provided in the House Chair's proposed budget to address several new Legislative priorities. These include:

- \$150,000 at the State Patrol to contract for a workforce diversity action plan.
- An additional \$700,000 for public outreach activities related to REAL ID to populations that are underserved and hard-to-reach through the most common outreach activities. REAL ID compliant documentation such as a passport, a Washington state enhanced driver's license, or enhanced identification card will be required for domestic flights, effective October 1, 2020.
- Funding is provided to support the enactment of several bills:
  - \$235,000 is provided for SHB 2287 for a study to assess rail safety governance for passenger and freight rail, including rail transit services, and consider recommendations made by the National Transportation Safety Board in its 2019 Point Defiant Bypass derailment accident report.
  - \$107,000 is provided for EHB 2188, which authorizes the DOL to waive the requirements for the knowledge examination for commercial driver's license (CDL) applicants for current or former military service members who meet certain federal requirements.
  - Funding in the amount of \$100,000 is provided to DOL to implement SHB 2607. The bill helps homeless youth obtain Washington state identicards (ID card) by raising the age of qualifying individuals who receive an ID card at a reduced cost to 25. The DOL is required to accept ID card application materials from certain entities serving youth.
  - \$120,000 for the implementation of several special license plate bills.

### Looking Ahead

Funding authority is provided in the House Chair's budget proposal for a select list of studies, the results of which will be considered by the Legislature in 2021 and thereafter:

- \$150,000 is provided to the Transportation Commission to evaluate the equity impacts of a potential road usage charge system, with respect to communities of color, low-income households, vulnerable populations, and displaced communities. This funding is

provided only if additional federal grant funds are unavailable to the Commission for follow up road usage charge policy analysis work.

- \$550,000 in tolling funds to study noise impacts related to the SR 520 expansion joints.
- \$250,000 is provided for a study of the Washington State Ferries workforce development and management needs.
- \$235,000 is provided for a study to assess rail safety governance, as required by SHB 2287 (see above).