
2009-11 Conference Transportation Budget

**Senator Mary Margaret Haugen, Chair
Senate Transportation Committee**

**Representative Judy Clibborn, Chair
House Transportation Committee**

Budget Highlights

Budget Bill – ESSB 5352

Agency Detail

Project Lists and LEAP Compensation Documents

**Statewide ARRA Highway Spending and Federal
Earmarks Project Lists**

2009-11 Transportation Budget Summary

Conference Report on ESSB 5352

Current Budget Conditions

Transportation revenue and investment packages authorized by the Legislature in 2003 and 2005, and endorsed by citizens through initiative, are peaking at the very time when public investment in infrastructure is needed to bolster the sagging economy.

However, an economic recession, a volatile global oil market, and continued decline in vehicle miles traveled have severely impacted the outlook for 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 7 of these highlights.

The 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 transportation budget assumes issuance of 30 year bonds. Extending the term of transportation bonds from 25 to 30 years also better aligns with the useful life of the assets being built. The budget also recognizes that construction cost inflation pressures are moderating, resulting in a number of recent project bids coming in below engineers' estimates.

The result is more than \$4.4 billion in transportation project investments in the transportation budget. Over 400 projects are funded and scheduled to move forward.

Some examples include:

- I-5/SR 161/SR 18 "Triangle" - Interchange Improvements
- SR 105/North River 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 26/W of Othello - Passing Lane
- SR 27/Pine Creek Bridge - Replace Bridge
- SR 28/Jct US 2 and US 97 to 9th St - Stage 1
- I-90/Two Way Transit - Transit and HOV Improvement
- US 101/Hoh River (Site #2) - Stabilize Slopes
- SR 167 New Freeway
- SR 167/8th St E to S 277th St - Managed Lane
- I-5/NE 134th St Interchange

- 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
- SR 539/Ten Mile Road to SR 546
- Increased funding for the Department's significant maintenance backlog (\$16.8M)

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 \$500 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, projects not meeting certain criteria are delayed in the 16-year transportation finance plan.

The top priority was to maintain forward momentum on mega-projects and projects of regional significance. These include the Tacoma I-5 HOV project, I-90/Snoqualmie Pass, SR 99/Alaskan Way Viaduct Replacement, SR 395 North Spokane Corridor, I-405 Corridor projects, and the SR 520 Bridge Replacement.

Additional criteria were used to prioritize the remainder of the projects, resulting in the delay of 18 highway projects. Candidates for delay included projects that could not be completed within 16 years and those which would not be operationally complete within four years.

Projects delayed by the 2009-11 transportation budget include:

- SR 3/Belfair Bypass - New Alignment
- SR 704/Cross Base Highway - New Alignment
- SR 20/Sharpes Corner Vicinity - New Interchange
- SR 3/Fairmont Ave to Goldsborough Creek Br - Replace
- SR 4/Abernathy Creek Br - Replace Bridge
- SR 109/Moclips River Bridge - Replace
- I-405/NE 132nd St - New Interchange
- I-405/NE 44th St to 112th Ave SE - Widening
- SR 161/36th to Vicinity 24th St E - Widen to 5 lanes
- US 101/Dawley Road
- US 101/Gardiner Vicinity
- US 195/Spring Flat Creek

520 Bridge

The SR 520 Evergreen Point bridge provides an east-west link across Lake Washington for about 155,000 trips every day. Built in the 1960s without the benefit of today's design standards, the bridge is vulnerable to failure in severe windstorms and earthquakes. A failure of this bridge or its approach structures could cause serious injury and loss of life, and would snarl traffic on other regional highways with re-routed traffic.

Unlike other mega-projects in the region, the replacement of the SR 520 Evergreen Point bridge was not fully funded with the passage of the 2005 Transportation Partnership Act (TPA). The plan instead was for the Puget Sound region to form a taxing district to help finance the project. With the failure of that vote in 2007, the replacement of the bridge now depends on tolls and other revenues.

Engrossed Substitute House Bill 2211 imposes tolls which together with other available funds will make it possible to replace the floating bridge. This includes construction of the pontoon site in Grays Harbor county as well as pontoon construction in Tacoma. With these investments under way, the state finally begins to address one of its highest priority safety issues.

Alaskan Way Viaduct

The Legislature endorsed the deep bored tunnel under First Avenue as the preferred alternative to replace the aging and vulnerable Alaskan Way Viaduct. ESSB 5768 capped the state's investment at \$2.4 billion, and allowed an additional \$400 million in tolls. In a letter to legislators, the Mayor pledged the City will complete its promised street improvements to ensure adequate and efficient access for freight and vehicles, and for neighborhood residents along the SR 99 corridor.

Construction of the tunnel is expected to begin in 2011, with completion set for 2015.

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 four vessels in the 2009-11 and 2011-13 biennia. The first three vessels will be Island Home class (64-auto) ferry vessels, and the fourth vessel will either be an Island Home class or a 144-auto ferry, depending on the timing and availability of funds. The budget begins funding for a fifth vessel, 144-auto capacity, in subsequent biennia; and

- The budget prioritizes vessels over terminal improvement projects. If WSF seeks and receives additional federal funding, it may be used to replace the Anacortes ferry terminal. The Mukilteo terminal will be moved pending the results of environmental and archeological studies and receipt of further federal funds.
- **Ferry Service and Operations**
 - Operating funding is provided for all routes, including maintaining service to Sidney, B.C., and to provide extra runs on the Port Townsend-Keystone route during the summer season when only one vessel is available for that route;
 - 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; and
 - Funding is provided to begin a WSF reservation system pilot after a pre-design study is completed and the JTC recommends a proposed plan to the Legislature in 2010.

Operating Program Savings and Efficiencies (\$27 Million, 67 FTEs)

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

- Captures and implements line-by-line savings from the Governor-directed freezes (saves \$15 million beginning in 2009-11 and continuing into the future);
- Assumes additional efficiencies of about \$21 million per biennium after the 2009-11 biennium commensurate with a total five percent reduction in operations spending;
- Requires the Department of Transportation to identify operational savings and efficiencies of \$6.7 million; and
- Authorizes the Department of Licensing to close up to 25 licensing service offices resulting in cost savings and efficiencies. The Department is also directed to share the implementation plan with the Legislature (saves \$4.2 million in 2009-11, \$5.2 million in subsequent biennia).

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, \$100 million of general obligation bonding authority was removed from rail projects, adding additional capacity to the capital budget.

The rail program is now funded predominantly on a cash basis. This change required delays in a number of rail projects, but they remain fully funded in the 16-year plan. Using the Governor's proposed project list as a starting place, the transportation 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. Because of previous state investment in rail infrastructure, the transportation budget anticipates these projects will be very 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, it is increasingly important to keep state commitments to public transportation programs and infrastructure. Public transportation is an affordable option and a vital service for many.

The transportation budget makes a substantial \$33 million investment in the Regional Mobility Grant program. These grants help local governments fund projects that improve transit mobility, reduce congestion, and improve connectivity and efficiency.

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.
- 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.
- Climate change
 - The budget includes funding for 1 staff person to support the Department of Transportation's ongoing efforts to support statewide goals to reduce greenhouse gas emission.
- Transportation demand management
 - The budget includes funding to reduce congestion, including a flexible carpooling pilot project and community-based incentives to reduce drive-alone trips.

Planning for the Future

Existing sources of state and federal transportation funding are not sustainable over the long term. New car technology and policies to reduce greenhouse gas emissions will also drive down transportation revenues. A new revenue source is needed to fund the transportation system in the future.

The budget provides funding for the Joint Transportation Committee (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.

In addition, the budget calls for facility-based tolling studies at the Department of Transportation. For the I-405 corridor and the Columbia River Crossing, the studies will include a public outreach component similar to the process followed for the SR 520 Tolling Implementation Committee. For the SR 167 and SR 509 port connections, tolling feasibility studies will identify opportunities for tolling in these corridors, recognizing their value to freight movement.

Acting on recommendations of the JTC ferry study, the budget directs a review of a reservation system for the Washington State Ferries (WSF). After further evaluation WSF has concluded that such a system will allow them to operate with the smallest necessary capital outlay and will minimize customer wait times and improve traffic and queuing impacts. Implementing a reservation system is estimated to cost \$18 million and avoid approximately \$280 million in capital projects that would otherwise be necessary. The current budget includes \$3.8 million to begin the process of developing and implementing a reservation system. The department will propose a system and implementation plan to the JTC by November, 2009.

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; and
- 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; and
- 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; and
- A continued decline in near-term and forecast global interest rates supports balancing of long-term financing plan.

2009 Session 09-11 Budget

- Declining fuel consumption and consumer demand amidst an economic recession has reduced forecasted transportation revenues by an additional \$2.8 billion for the 16-year financial plan. Refined cost estimates, principally due to the completion of the ferry system's long range plan, of \$2.1 billion must also be accommodated in the 16-year plan;
- The long term financial plan remains balanced for all of the major construction funds except the Puget Sound Capital Construction Account (which supports ferry capital expenditures); and
- Near term moderation of construction cost inflation, the state's strong credit rating, extension of borrowing terms, the delay of certain projects, and savings in operating expenditures allows the state to move forward with unprecedented levels of transportation capital spending for the 2009-11 biennium.