

Summary of Senate Transportation Committee Chair's Proposed 2021 Transportation Budgets

2019-21 Second Supplemental Transportation Budget

The 2021 Chair's Proposed Second Supplemental Transportation Budget includes just over \$9 billion in appropriation authority, a decrease of almost \$1.3 billion from the 2020 enacted supplemental budget. This significant decrease is a combination of approximately \$1.2 billion reappropriated from the 2019-21 to the 2021-23 biennium for delayed capital project activity, and reduced spending, mainly attributable to the Covid-19 pandemic. Other adjustments are made to accommodate unexpected needs and opportunities.

Some of the significant changes are:

- (\$150.1 million) savings in transportation operating programs, primarily from furloughs, certain wage increase eliminations, contract and equipment savings, and similar savings actions directed by the Governor towards the beginning of the Covid-19 pandemic.
- \$15.7 million of SR 520 toll dollars for operations & maintenance are supplanted by \$11.5 million from the SR 520 civil penalties account and a \$4.2 million loan from the motor vehicle account in order to meet the financial solvency requirements of the SR 520 Master Bond Resolution.
- \$14.0 million in additional state dollars are loaned to the Alaskan Way Viaduct Replacement Project Account and a former \$10 million loan's repayment is extended to a later date when traffic levels recover from the pandemic.
- (\$23.9 million) savings in the Department of Licensing due to staff vacancies and other factors.
- (\$3.1 million) savings based on updated projections of staff vacancies in the Washington State Patrol.
- \$3.6 million for higher than expected ferry-related legal costs and settlements.
- \$1.1 million of federal funds in this biennium added from a \$5.5 million grant for the new Forward Drive road usage charge project overseen by the Transportation Commission.
- \$1.0 million in additional environmental mitigation funds.
- \$280,000 for Wahkiakum County ferry operating costs.

2021-23 Biennial Transportation Budget

Resources

This budget proposal is based on the March 2021 revenue forecast which is the 4th quarterly forecast since the start of the Covid-19 pandemic. It continues to build in the significant negative impacts of the Covid-19 pandemic on nearly all the transportation revenue sources and makes another downward revision in projected revenues primarily because the forecast: (1) incorporates lower-than-expected actual recent collections; (2) reflects the second wave of shutdowns which began in late November and lower employment projections; and (3) builds in a more pessimistic view of magnitude and timing of the recovery of most transportation revenue sources.

Excluding Initiative 976 impacts, with this adjustment and the previous downward adjustments since the start of the pandemic, the projected revenue decline associated with Covid-19 and other factors is estimated at \$669 million (9.9 percent) for the 2019-21 biennium, \$454 million (6.5 percent) for the 2021-23 biennium, and \$1.9 billion (5.4 percent) over the ten-year time horizon compared to the pre-pandemic February 2020 forecast.

Federal recovery and relief bills recently passed provide new resources to the transportation budget to help offset some of the impacts of the Covid-19 pandemic. These include:

- \$1.0 billion from the American Rescue Plan Act of 2021, of which \$600 million is being used to partially backfill revenue losses from the pandemic and \$400 million is being used for water infrastructure investments to remove fish barriers.
- \$142.9 million in Coronavirus Response and Relief Supplemental Appropriations Act funds are used to help fund the removal of fish barriers in order to make progress on complying with the court injunction by 2030.
- \$124 million in Coronavirus Response and Relief Supplemental Appropriations Act funds are deposited into the Puget Sound Ferry Operations account to offset a shortfall of ferry fare revenue, eliminating the need to transfer funds from other state accounts to support this account.

The budget proposal also incorporates legislation impacting transportation revenues including:

- \$21.8 million from SHB 1207 (driver's licensing changes) which allows for both 6-year and 8-year driver's license renewal cycles and makes other changes related to allowing more online transactions.
- \$5.7 million from ESSB 5226 (license suspension) which includes additional fee and fine revenue partially offset by increased spending requirements.
- \$280,000 from SHB 1379 (unpiloted aircraft system) which requires commercial drone owners to pay the state's annual aircraft registration fee.

As in prior years, the budget proposal is further supported by formula federal funds, bond sales, and some pre-existing account balances, in part as a result of delayed capital project activity in the 2019-21 biennium. All transportation accounts are balanced through the current biennium,

but certain accounts relying on the gas tax are not balanced over a 10-year horizon due to the sharp drop in revenues due to the Covid-19 pandemic.

Assumed bond proceeds in 2021-23:	
Connecting Washington Account	\$2.36 Billion
Transportation Partnership Account	\$223 Million
Special Category C Account	\$88 Million
Total	\$2.7 Billion

Appropriations

The Chair's proposed budget provides \$11.7 billion in appropriation authority. Adjustments are made to accommodate unexpected needs and opportunities. Some of the significant changes are:

Capital Expenditure Adjustments

The Chair's proposed budget includes \$5.8 billion for capital programs, an increase of 4% from the enacted 2019-21 supplemental budget spending levels. This increase is attributable to a number of projects delayed from 2019-21 into the 2021-23 biennium and also hitting the peak of spending in the planned 2015 Connecting Washington transportation investment plan. Notable capital project expenditures include:

- Department of Transportation – Highway & Local Funding
 - Re-phasing of various highway projects due to pandemic-related delays.
 - (\$139.2 million) of savings from completed or near-complete Nickel & TPA projects and (\$43.1 million) of savings from Connecting Washington projects expected to come in under budget.
 - Reduction in state spending in the 2019-21 and 2021-23 biennia on the SR 167/SR 509 Puget Sound Gateway project due to the \$73.6 million federal INFRA grant award.
 - Funding is maintained at \$726.4 million in the 2021-23 biennium for fish passage barrier removal using a variety of federal funds, savings from Connecting Washington projects to be deposited into the Transportation Future Funding Program Account, and state funds. WSDOT is directed to first use federal funds from the American Rescue Plan Act of 2021 to fund the fish barrier removal program.
 - \$5.0 million in additional environmental mitigation funds.
 - Total cost increases on the following projects:
 - \$2.8 million on the SR 155/Omak Bridge Rehabilitation project (*Connecting Washington*)
 - \$2.6 million on the SR 241/Mabton Bridge project (*Connecting Washington*)

- \$3 million on the SR 29/E Wenatchee - Access Control project (*TPA*)
 - \$14.8 million on the I-5/Rebuild Chamber Way Interchange Improvements project (*Connecting Washington*)
 - \$60.0 million on the I-90/SR 18 Interchange Improvements project (*Special Category C*)
 - \$10.0 million added for an I-405 toll infrastructure project in the 2023-25 biennium to capitalize on Sound Transit investments and provide direct ETL ramp access.
 - \$5.0 million in project savings redirected for starting the process of replacing the Hood River Bridge between White Salmon, WA, and Hood River, OR.
 - \$14.4 million of federal funds from the extension of the National Highway Freight Program for supplanting state preservation funding for freight projects.
 - \$9 million of federal funds from the extension of the National Highway Freight Program for local freight projects.
 - Reprioritization of highway preservation activities, including phasing changes and toll-funded added costs for preservation activities on various tolled facilities.
- Department of Transportation – Ferry and Rail Funding
 - \$37.5 million in federal funds added for passenger rail equipment for Amtrak Cascades service due to a federal BUILD grant award.
 - \$3.1 million added for a computerized maintenance management system to meet Washington State Ferries' asset management, reliability and maintenance needs.

Operating Expenditure Adjustments

The Chair's proposed budget includes about \$5.9 billion in expenditures in the various operating programs. This is a similar level of spending to the enacted 2019-21 supplemental budget (excluding the \$1 billion federal ARPA funds appropriation added to the current budget). Notable operating expenditure adjustments include:

- Department of Transportation – IT, Maintenance, Support, and Planning
 - \$100,000 for WSDOT to work with the Department of Commerce to develop statewide vehicle miles traveled (VMT) targets and a process for geography-specific VMT targets based on statewide targets.
 - \$4.1 million of federal funds in this biennium added from a \$5.5 million grant for the new Forward Drive road usage charge project overseen by the Transportation Commission.
 - \$1.0 million additional funding for the Pre-Apprenticeship & Supportive Services (PASS) grant program to increase the number of individuals prepared to work in the heavy construction labor force, now totaling \$3 million for this biennium.
 - \$14.1 million for increased highway maintenance costs related to increased materials costs and third-party damages to highway infrastructure.

- \$8.5 million for the Propel Project, which will support WSDOT's transition from the TRAINS financial system to the new One Washington statewide financial system.
- \$5.8 million for software licensing and quality assurance costs.
- Department of Transportation – Tolling
 - \$1.5 million in increased costs for insurance on the SR 520 bridge.
 - (\$2.2 million) in savings across various toll accounts from the closure of two walk-in centers and office consolidations.
 - \$32.5 million for a loan to the Tacoma Narrows Toll Bridge Account to help partially offset the need for rate increases, with an acknowledgement that the Transportation Commission may also have to temporarily modify their sufficient minimum balance policy for the bridge.
- Department of Transportation – Ferries and Aviation
 - \$2.5 million for ferry system training including for crew qualification, break-in training for reassignments, evacuation slide training, and electronic navigation training.
 - \$2.4 million for additional ferry system staffing costs.
 - \$280,000 for an Unpiloted Aircraft Systems Coordinator supported by commercial drone registration fee revenue.
- Department of Transportation – Facilities & Payments to Other Agencies
 - \$2.4 million for additional maintenance costs at the new Olympic Region maintenance and administrative facility in Lacey and the renovated Northwest Region administration facility in Shoreline.
 - \$2.3 million for additional legal costs.
- Department of Transportation--Innovative Partnerships Office
 - \$3.9 million of reappropriated and continued funds for alternative fuel infrastructure grants.
 - \$2.4 million of reappropriated and continued funds for implementation of a clean fuel car share pilot in low-income communities not currently served with transit options.
- Washington State Patrol
 - \$8.0 million is provided for the upgrade, replacement, and improvements to the land mobile radio system.
 - \$493,000 for aerial criminal investigation tools for collisions and other crime scenes.
 - \$289,000 for the replacement of additional E911 workstations.
 - (\$27.9 million) savings from updated projections of trooper and non-field force staff vacancies.

- Department of Licensing
 - \$5.4 million for increased projected amounts of cost recovery of credit card transaction costs, primarily associated with more transactions being conducted online.
 - \$3.4 million for activities related to transitioning to Cloud-based technology for a portion of the department's infrastructure, software license cost increases, and hardware replacement.
 - \$2.6 million to redesign and improve DOL's online services and website, implement SHB 1207 (DOL issued documents), and make other changes to allow more driver's license transactions to be conducted online.
 - \$2.6 million to implement five bills enacted in the 2020 legislative session with delayed effective dates -- 3SHB 1504 (impaired driving); 2SHB 2066 (driver license restrictions); ESHB 2676 (autonomous vehicle testing); ESB 6313 (young voters); and SSB 6429 (driver license designation).
 - \$2.5 million for the implementation of ESSB 5226 (license suspension) which among other things changes provisions related to driver's license suspensions and license reinstatements.
 - \$1.2 million to relocate the West Seattle and Tacoma licensing service offices and begin the relocation process for the Mount Vernon and Port Angeles offices.
 - \$375,000 for start-up costs associated with SSB 5444 (per mile charge) which will establish a per mile fee on certain electric and hybrid vehicles effective July 1, 2026, with an early adoption program one year earlier.
 - (\$6.2 million) savings from projected staff vacancies and recent underspending patterns.

Policy Highlights

- The Joint Transportation Committee is directed to conduct studies on:
 - WSDOT's role in broadband service expansion efforts;
 - The formation of a bi-state bridge authority for the Hood River Bridge; and
 - New options for payment of vehicle fees and taxes.
- WSDOT is directed to report on the progress of consolidating franchises for broadband facilities across the state, including plans for how to increase consolidation.
- WSDOT is required to submit a plan by January 1, 2022, for the Interstate 405 and State Route Number 167 Express Toll Lanes Account detailing how bond proceeds can cover the proposed construction plan for the corridor on the project list.