

## Transportation Package Makes Critical Investments for Commuters, Economy

### Briefly

- The new state transportation package will increase spending by \$16.1 billion through 2031.
- The gas tax is increased by 11.9 cents over two years, bringing in \$6.2 billion through 2031.
- Bonding authority of \$4.8 billion is granted.
- Of the spending, \$1.3 billion is preservation and maintenance.
- Funded projects include the SR 167/SR 509 Puget Sound Gateway, SR 520 west end, I-405 widening, I-5 widening at JBLM and the US 395 North Spokane corridor.
- Critical court-ordered fish-barrier removal projects get \$300 million.
- Local permitting is streamlined and efficiencies are implemented to speed project completion and reduce costs.
- Additionally, Sound Transit counties are authorized to ask voters for \$15 billion to fund Sound Transit 3.
- Snohomish County's Community Transit, a new Kitsap County passenger-only ferry district and other local transportation jurisdictions are authorized to ask for and impose additional fees and taxes.
- These infrastructure investments will relieve traffic congestion, benefitting commuters and the economy.

### Previous Fuel-Tax increases

Washington's two most recent gas-tax increases were:

- In 2005, 9.5 cents per gallon phased in over four years
- In 2003, 5 cents per gallon

After more than two years of on-and-off negotiations, in the extended 2015 legislative session state lawmakers approved, and the governor signed, a transportation package that includes a revenue bill (ESSB 5987), a budget bill (ESSB 5988) and a bond bill (ESSB 5989). The package increases the state gas tax by 11.9 cents per gallon over two years and will deliver \$16.1 billion in new transportation spending through 2031. This package is the state's first major transportation investment program since 2005.

### Balance Sheet

This report focuses on total funding for projects from now through 2031. Of \$16.286 billion in available new resources, \$16.086 billion will be spent.

\$9.137 billion will come from newly enacted tax and fee increases (two-thirds of which are fuel tax increases), \$1.869 billion from previously enacted fee increases and other sources, \$518 million from transferring sales-tax revenues to the transportation budget from the general fund, and \$4.762 billion from bond proceeds (see table on page 2).

### Revenues

*Fuel tax increases.* The previous state tax rates on motor fuels (gasoline) and special fuels (primarily diesel) were 37.5 cents per gallon. On Aug. 1, 2015 the rates increase 7 cents per gallon. Rates will increase an additional 4.9 cents per gallon on July 1, 2016 for a total increase of 11.9 cents, bringing the total state

motor fuels tax rate to 49.4 cents. For the sixteen-year period beginning with fiscal year (FY) 2016 and ending with FY 2031, the fuel-tax increase is projected to generate \$6.180 billion.

*Vehicle weight fees.* The package implements new passenger vehicle weight fees ranging from \$25 to \$72 (and increasing by an additional \$10 in 2022), for a revenue increase of \$1.958 billion through 2031. It implements truck license weight fees ranging from \$4 to \$35 (and by an additional \$10 in 2022

for vehicles weighing 12,000 pounds or less), for a revenue increase of \$691.0 million. It also adds a freight project fee of 15 percent of the license fee for vehicles weighing more than 10,000 pounds, for a revenue increase of \$159.0 million.

*Other fees.* Fees relating to commercial driver's licenses will see increases ranging from \$25 to \$150. The electric vehicle fee increases by \$50, for a total of \$150. The fee for enhanced driver's licenses and identicards increases by \$39, for a total of \$54. New and increased service fees on title and registration transactions range from \$3.75 to \$8.75. A new student tire fee of \$5 goes into effect.

*Previously enacted fee increases.* The package makes use of unobligated revenue totaling \$1.690 billion from fee increases enacted in 2012 (EHB 2660 and ESSB 6150) and 2014 (HB 1129 and ESSB 5785).

*Sales tax collection changes.* Revenue from sales and use taxes collected on new transportation projects will now go to the Connecting Washington account instead of the state general fund; expected revenues are \$518.0 million. Starting in January 2017, Sound Transit must begin paying a 3.25 percent sales and use tax on construction projects until it has paid the \$518.0 million amount of the above sales-tax transfer. Those sales tax revenues from Sound Transit will go to the newly created Puget Sound Taxpayer Accountability account for vulnerable populations' educational services.

*Miscellaneous.* Other sources of new revenue include elimination of the deduction that fuel distributors are allowed for fuel lost in handling (\$56.0 million) and a change in registration for intermittently used trailers (\$23.0 million).

### **Bonding**

The legislation assumes that \$4.762 billion would be raised by selling bonds backed by the motor fuel tax, vehicle-related fees and the full faith and credit of the state. Through FY 2031, the state

Table: Transportation Balance Sheet (Dollars in Millions)

	<i>Through 2031</i>
<b>Revenue</b>	
Fuel tax increase	6,180
Truck & passenger vehicle weight fee increases	2,808
Previously enacted fee increases	1,690
Electric vehicle fee increase	93
Handling loss deduction repeal	56
Change in intermittent use trailer registration	23
State sales tax transfer	518
Sale of WSDOT property	80
One-time balance transfers	40
Interest income/ misc.	36
<b>Total revenue</b>	<b>11,524</b>
<b>Other resource changes</b>	
Bond authorization and proceeds	4,762
<b>Total other resource changes</b>	<b>4,762</b>
<b>Total resources</b>	<b>16,286</b>
<b>Spending</b>	
State and local improvement & preservation	8,759
Highway preservation	1,225
Maintenance, facilities & traffic operations	202
Fish passage	300
Ferries (capital & operating account backfill)	602
Rail	174
State Patrol (account backfill)	220
Cities and counties	638
Transit, bicycles and pedestrians	983
Other	230
Debt service	2,753
<b>Total spending</b>	<b>16,086</b>
<b>Contingency/unspent resources</b>	<b>200</b>

projects debt service for these bonds will total \$2.753 billion.

**Spending**

The new transportation budget spends a total of \$16.086 billion through 2031.

*Highway improvements.* The lion's share of the spending, \$8.759 billion, goes to highway improvements. Projects include:

- The "Puget Sound Gateway" (completion of SR 167 between Puyallup and Tacoma and connecting SR 509 south to I-5 at SeaTac): \$1.876 billion
- Completion of the SR 520 bridge project on the west end: \$1.643 billion
- Widening I-405: \$1.225 billion
- Completion of the US 395 North Spokane corridor: \$878.9 million
- Enhancing the Joint Base Lewis-McChord (JBLM) corridor on I-5 (allowing traffic on northbound and southbound shoulder lanes and reconstructing interchanges): \$494.4 million
- Widening I-90 from Snoqualmie Pass to Easton: \$426.4 million
- Completion of US 12, and other improvements, in the Walla Walla corridor: \$168.8 million
- Improving ramps (including a flyover ramp) and widening parts of SR 18 at the SR 18/I-90 interchange: \$150.0 million

- Replace the SR 9 bridge over the Snohomish River: \$142.1 million

*Highway preservation.* The package provides \$1.225 billion for preservation and maintenance, with the goal of preventing more costly outlays later (these funds are not yet assigned to specific projects).

*Washington State Ferries (WSF).* The package provides \$302.0 million for the WSF capital program, which includes:

- A new 144-car ferry: \$122.0 million
- Ferry terminal improvements and preservation: \$197.0 million

*Local projects.* The package includes a total of \$638.0 million for:

- Direct distribution to cities and counties for road projects: \$375.0 million
- Freight Mobility Strategic Investment Board (which facilitates the movement of freight to benefit trade and lessen the impact of freight movement on local communities): \$123.0 million
- County Road Administration Board (which provides technical and professional assistance to the 39 county transportation systems): \$70.0 million
- Transportation Improvement Board (which distributes and manages street construction and maintenance grants to 320 cities and urban counties in Washington): \$70 million

*Transit, bicycle, pedestrian projects, and rail.* A total of \$983 million in grants is funded for transit, bicycles and pedestrians. A total of \$174.0 million is funded for rail projects, including safety and infrastructure improvements.

*Fish barrier removal.* In 2013 a federal court ordered the state to remove more than 800 barriers to fish passage around state roads and highways. For this biennium, \$300.0 million is appropriated for this purpose in the transportation budget. The total cost over the next 15 years is estimated at \$2.400 billion.



SR 167 extension project (courtesy WSDOT)

### Authorization for Local Taxes and Fees

The revenue bill portion of the transportation package authorizes local tax and fee increases, some with and some without voter approval. They include:

*Transportation Benefit Districts (TBDs).* TBDs are taxing authorities established by cities and/or counties to pay for local transportation improvements. The new legislation allows TBDs to impose a vehicle fee of up to \$40 under certain conditions. A vehicle fee increase of more than \$40 is allowed but subject to a referendum of the voters.

*Public Transportation Benefit Area (PTBA).* Snohomish County's Community Transit, a PTBA, is specifically authorized to ask for voter approval of a sales tax increase of up to 0.3 percent.

*Passenger-Only Ferry Districts.* Kitsap Transit, a PTBA, is specifically authorized to establish one or more passenger-only ferry (POF) service districts. Districts may establish, finance and provide passenger-only ferry service. First, however, districts must put before local voters a single proposition containing an investment plan and some or all of the following revenue sources:

- Sales and use tax increases, not to exceed 0.3 percent
- Commercial parking tax
- Passenger, package and parking tolls
- Advertising, passenger services (e.g., food sales) and other revenue-generating activities

*Sound Transit 3 (ST3).* Sound Transit is authorized to ask voters within its boundaries in King, Pierce and Snohomish counties for \$15 billion over 15 years for its ST3 program of expanded light rail and other transit services. It may ask voters for:

- A motor vehicle excise tax (MVET) of no more than 0.8 percent. This MVET would be in addition to the already-in-place Sound Transit MVET of 0.3 per-

cent which is scheduled to expire in 2028.

- Sales and use taxes of up to 1.4 percent. Sound Transit's current sales tax rate is 0.9 percent.
- A property tax levy of up to 25 cents per \$1,000 of assessed value. Previously Sound Transit was not authorized to levy a property tax.

### Reforms

As noted above, revenues from sales taxes collected on transportation construction projects will no longer go to the state general fund but to the Connecting Washington account.

Additionally, the following reform bills have been signed by Gov. Inslee:

- *2ESSB 5992* changes bidding and contracting for new ferry construction. It requires that ferries be purchased under a design-build process (when a single entity designs and builds a project) and fixed-price contracts. Also, the "Made-in-Washington" requirement is relaxed—if the cost of a construction proposal comes in at more than 5 percent above Washington State Department of Transportation's (WSDOT) estimate, WSDOT can open the process again and include shipbuilders from outside Washington. The Washington State Institute for Public Policy will conduct a study of state ferry procurement practices; a report is due by Dec. 1, 2016.
- *2ESSB 5994* limits and expedites the permitting process. Local permits must, "to the greatest extent practicable," be issued to WSDOT within 90 days for projects costing less than \$500 million. WSDOT will convene a workgroup, which will include the Department of Ecology, in 2016 to assess ways to consolidate and streamline permitting under both the National and State Environmental Protection Acts, with a report due in December 2016. Also, in regards to Shoreline Management Act permitting: 1) Con-

- struction on a transportation project can begin 21 days after a permit is filed, even if a review is taking place, if the project will result in no net loss of shoreline ecological functions, and 2) WSDOT is granted certain exemptions for emergencies and for some maintenance, repair or replacement projects.
- *2ESB 5995* adds congestion relief and freight mobility to state transportation policy goals.
  - *2ESSB 5996* streamlines the permitting process. WSDOT must work with other agencies and tribes on environmental permitting in order to streamline the permitting process. WSDOT is required to report engineering errors that add more than \$500,000 in costs to a project.
  - *2ESSB 5997* aims to lower costs on large projects. WSDOT is "authorized and strongly encouraged" to use design-build construction for projects over \$2 million. A new contracting review panel is created, with a study on WSDOT's implementation and use of design-build contracting due Dec. 1, 2016.
  - *HB 1219* expedites repair and replacement of vulnerable bridges. It exempts repair or replacement of structurally deficient bridges from the State Environmental Policy Act, within certain parameters. In such cases WSDOT is allowed to use its emergency contracting procedures, as it did for replacement of the collapsed I-5 Skagit River bridge.
  - *ESHB 2012* implements a cost-saving approach to project design. It encourages WSDOT to incorporate "practical design," an approach to transportation project development that looks for savings and efficiencies as the project is being designed.

#### Other Items

*Low Carbon Fuel Standard (LCFS).* The transportation revenue bill contains language requiring all non-bonded new rev-

enues (i.e., those revenues going to transit, bicycle and pedestrian programs) to revert to the Connecting Washington account if, before July 2023, the governor issues an executive order imposing a low-carbon fuel standard.

*Electric vehicles (EVs).* The retail sales and use tax exemption for EVs is extended, but only for EVs with a fair market value of \$35,000 or less. Also, an electric vehicle charging infrastructure account is created. WSDOT will establish a pilot program to offer grants or loans for building EV-charging infrastructure.

*Tacoma Narrows Bridge sales tax deferral.* The sales and use tax deferral for WSDOT and private contractors is extended from 2018 to 2031.

*Viaduct replacement project.* No funds from the Connecting Washington account may be used for the tunnel-boring project to replace the SR 99 Alaskan Way Viaduct in Seattle.

*Clean fuel commercial tax credits.* From Jan. 1, 2016 to Jan. 1, 2021, business and occupation and public utility tax credits are available for the purchase of clean alternative fuel-powered commercial vehicles and for modifying commercial vehicles powered by conventional fuel to be powered by clean alternative fuel (such as natural gas). The total amount of credits is subject to a \$6 million annual cap.

#### Comment

The transportation package addresses critical problems in Washington's transportation system. Its revenues will alleviate traffic chokepoints statewide and, in the process, improve commutes for drivers and the flow of goods for businesses.

According to a Washington Roundtable study conducted by the Boston Consulting Group, 60 percent of Washington's highways will be in poor or very poor condition by 2026 (only 14 percent are now). Investing in road repair and maintenance now will save significant taxpayer dollars: The current cost per

driver, per year, is \$380; in 2026 that number will rise to \$1,040. (BCG 2014)

In 2014 the Federal Highway Administration logged 1,811 functionally obsolete bridges in Washington (FHWA 2014). The American Society of Civil Engineers in its 2013 infrastructure report card on the states gave Washington a C- for bridges, noting that as of 2011, 36 percent of state bridges were more than 50 years old and "over the next 20 years another third of Washington state's bridges will exceed their design life" (ASCE 2013).

The added bridge funding, coupled with the new reform allowing for expedited bridge repair and replacement, will allow the state to more effectively address problem areas.

## References

- Boston Consulting Group (BCG), 2014. "[Washington Roundtable: Transportation Investment Initiative Review](#)." October.
- Federal Highway Administration (FHWA), 2014. "[Deficient Bridges by State and Highway System](#)." December.
- American Society of Civil Engineers (ASCE), 2013. "[2013 Report Card for Washington's Infrastructure](#)."