



Senate Transportation Package Would Begin to Address State's Significant Infrastructure Needs

Briefly

- The Senate's transportation package would increase spending by \$13.8 billion through 2031.
- It would increase the state gas tax by 11.7 cents over three years, bringing in \$5.6 billion through 2031.
- It assumes bonding authority of \$3.4 billion.
- Of the spending, \$1.3 billion would go to maintenance and preservation.
- Funded projects include the SR 167/SR 509 Puget Sound Gateway, SR 520 west side, and I-405 widening.
- It would redirect some pollution control funds to stormwater and fish passage projects.
- It would streamline local permitting to speed project completion and reduce costs.
- Investment in infrastructure today will reap huge future benefits for residents, businesses and government.

The state Senate passed a bipartisan transportation package, which is now before the House. The Senate's opening bid in the transportation budget process includes a budget bill (ESSB 5988), a revenue bill (ESSB 5987), and eight policy reform bills. The package would increase the state gas tax by 11.7 cents over three years and would deliver \$13.8 billion in new transportation spending through 2031. This would be the state's first major transportation investment program since 2005.

Balance Sheet

The budget bill would increase total budgeted spending by \$99.0 million in operating funding and by \$528.1 million in capital funding during the 2015–17 biennium. But because the package looks forward to 2031, this report will focus on the total funding for projects through 2031. Of \$13.942 billion in avail-

able resources, the bill would spend \$13.791 billion.

Total revenues would increase by \$10.5 billion, of which about half would come from increasing the state fuel taxes. The budget also assumes enactment of SB 5989, which would authorize bonds (this bill has not yet been passed by the Senate). (See the table on page two.)

Revenues

Fuel tax increases. Currently the tax rates on motor fuels (gasoline) and special fuels (primarily diesel) are 37.5 cents per gallon. Under the Senate plan, the rates would increase by 5 cents on July 1, 2015, by 4.2 cents on July 1, 2016 and by 2.5 cents on July 1, 2017. This would bring the state tax rates to 49.2 cents. Over the 15-year period beginning with fiscal year (FY) 2016 and ending with FY 2031, the fuel tax increase is projected to

generate \$5.642 billion.

Vehicle weight fees. Passenger vehicle and truck weight fees would be increased on July 1, 2016 and again on July 1, 2022. (For a passenger vehicle weighing 4,000 pounds or less, the fee would increase from the current \$10 first to \$25 and then to \$33.) For FY 2017–FY 2031, the state is projected to receive \$1.852 billion in additional fees on passenger vehicles and \$810 million in additional fees on trucks.

Newly enacted fee increases. The Senate plan would raise existing fees or impose new fees associated with obtaining a commercial driver's license or an enhanced driver's license, reporting the sale and transitional ownership of a vehicle, buying studded tires and registering an intermittently used trailer. Projected revenue FY 2016–FY 2031 is \$134 million.

Previously enacted fee increases. The Senate plan uses \$1.718 billion in unobligated revenue generated by fee increases enacted in 2012 (EHB 2660 and ESSB 6150) and 2014 (HB 1129 and ESSB 5785).

Miscellaneous. Other sources of new revenue include: elimination of the deduction that fuel distributors are allowed for fuel lost in handling (\$46 million), sale of unneeded state Department of Transportation (WSDOT) property (\$80 million), transfers of state sales tax on non-highway transportation projects (\$93 million), transfers from the environmental legacy stewardship account (\$104 million), and interest income (\$36 million).

Most of the new funds would flow into a new state account, the connect Washington account.

Bonding

The Senate plan assumes that \$3.427 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, debt service for these bonds is projected to total \$2.105 billion.

Spending

Of \$13.791 billion in total expenditures through 2031, \$1.325 billion would go to preservation and maintenance. Additionally, the budget bill would fund \$9.4 billion in improvements through 2031.

These include:

- \$1.877 billion for the SR 167/SR 509 Puget Sound Gateway (this number includes \$180 million in tolling revenues and \$130 million in local funds)

Table: All Funds Balance Sheet (Dollars in Millions)

	<i>Through 2031</i>
Revenue	
Fuel Tax Increase	5,642
Vehicle Weight Fees	2,662
Newly Enacted Fees	134
Previously Enacted Fees	1,718
Miscellaneous	359
<i>Total Revenue</i>	<i>10,515</i>
Other Resource Changes	
Bond Authorization and Proceeds	3,427
<i>Total Other Resource Changes</i>	<i>3,427</i>
<i>Total Resources</i>	<i>13,942</i>
Spending	
Highway Improvements	8,260
Impact of sales tax exemption on highway projects	(824)
Highway Preservation and Maintenance	1,325
Ferry System	581
Rail	125
State Patrol	240
Boards	233
Cities and Counties Distribution	375
Grants	677
Transit	75
Culverts	280
Stormwater Retrofit	100
Other	239
Debt Service	2,105
<i>Total Spending</i>	<i>13,791</i>
<i>Unspent Resources</i>	<i>151</i>

Note: Does not include toll and local revenues

- \$1.570 billion for improving the SR 520 Seattle corridor (west end)
- \$1.240 billion to widen I-405 between Renton and Lynnwood (this number includes \$215 million in tolling revenues)
- \$862 million for the US 395 north Spokane corridor
- \$450 million for improving the I-5 Joint Base Lewis-McChord corridor
- \$426 million for widening I-90 over Snoqualmie Pass to Easton
- \$217 million for improving I-5 in the Puget Sound area
- \$214 million for corridor improvements in Snohomish County
- \$169 million for corridor improvements between the Tri-Cities and Walla Walla
- \$126 million for improvements to I-90 in Western Washington
- \$99 million for Yakima area improvements to I-82
- \$99 million for safety improvements
- \$331 million for ferry projects
- \$125 million for rail projects
- \$463 million for local projects

Policy Reforms

The eight policy reforms passed by the Senate are:

- ESSB 5990: This bill would exempt highway improvement and preservation projects from state sales and use taxes. (The exemption applies to connecting Washington projects through June 30, 2019; from July 1, 2019 on, the exemption applies to all such projects.) For non-exempt transportation projects, the bill would require that funds appropriated in an omnibus transportation appropriations act that are used to pay state sales and use taxes be transferred from the general fund to the connecting Washington account. This applies to projects fund-

ed from the connecting Washington account at first; beginning July 1, 2019, it would apply to all transportation projects. The bill specifies that these sales tax provisions are not tax preferences (thus they do not expire and do not need to have a performance statement). The fiscal note states that "The general fund will lose the revenue from the sales tax on transportation projects while the connecting Washington account will gain an equal amount. The net impact to state revenues is zero. The loss and gain to the accounts is indeterminate. Without a full list of projects through Fiscal Year 2021 the revenue impact can't be determined."

- ESSB 5991: Currently, a pollution tax is imposed on hazardous substances and deposited in the toxics control accounts. If the annual amount collected exceeds \$140 million, the excess is deposited instead in the environmental legacy stewardship account. Under this bill, 20 percent of that excess must be used for legacy stormwater permit compliance and fish passage barrier removal. (This applies to projects funded by SSB 5987 and takes effect only if SSB 5987 is enacted by June 30.)
- ESSB 5992: This bill would require that new ferries be purchased under a design-build process. (This is when a single entity designs and builds a project.) On average, design-build construction can reduce project duration, reduce total costs, and maintain the same level of quality as traditional project delivery (FHWA 2006). Also, under the bill, new ferries would have to be purchased under fixed price contracts (whereby the contractor delivers a project for a set price) and all design specifications would have to be completed before construction began. Additionally, if proposals come in more than 5 percent above WSDOT's estimate, they must be rejected and the department must issue a new request for proposals that would not be

- subject to the current requirement that ferries be constructed in Washington. (This applies to projects funded by SSB 5987 and takes effect only if SSB 5987 is enacted by June 30.)
- ESB 5993: Currently, apprentices must work at least 15 percent of the labor hours on all WSDOT public works projects that are estimated to cost at least \$2 million. This bill would apply the apprentice requirement to projects that cost at least \$3 million between July 1, 2015 and July 1, 2020. Thereafter, the apprentice requirement would again apply to contracts of \$2 million or more. Additionally, the bill would require that the Department of Labor and Industries provide contractors the option of completing the wage survey required under the prevailing wage law electronically. The bill would also create a state coordinator in WSDOT for the national Helmets to Hardhats program.
 - ESB 5994: This bill would limit the local permitting process for certain transportation projects. (For example, third parties would not be able to appeal building permits issued as part of a transportation corridor project.) Local permits must be issued to WSDOT within 90 days. Certain requirements under the Shoreline Management Act (e.g., to obtain a substantial development permit) would not apply to certain projects and activities by WSDOT. Transportation projects that are categorically exempt from the National Environmental Policy Act would also be exempt from the State Environmental Policy Act. (This applies to projects funded by SSB 5987 and takes effect only if SSB 5987 is enacted by June 30.)
 - ESB 5995: This bill would add congestion relief and improved freight mobility to the state's transportation system policy goals. (Applies to projects funded by SSB 5987 and takes effect only if SSB 5987 is enacted by June 30.) Freight mobility is very important for our trade-dependent state: According to WSDOT, in 2013, the shipment of goods in Washington produced over \$129 billion in gross domestic product. Still, pavement and bridge conditions on the state's truck freight economic corridors are poor (WSDOT 2014). Rail is also a key component of freight mobility; while it is largely privately funded, the budget bill would provide \$78 million for freight rail track improvements and preservation.
 - ESSB 5996: This bill aims to streamline the transportation permitting process by requiring WSDOT to develop "positive relationships" with agencies and tribes to help avoid delays. The department would have to implement a multiagency permit program that would provide early project coordination and expedited project review. The bill would also direct WSDOT to "demonstrate the capacity to meet environmental responsibilities." Additionally, the bill would require a report of engineering errors on certain highway construction projects. (This applies to projects funded by SSB 5987 and takes effect only if SSB 5987 is enacted by June 30.)
 - ESSB 5997: Under the bill, WSDOT is "strongly encouraged" to use design-build construction for projects that cost over \$10 million. The bill would also create a design-build contracting review panel. According to the fiscal note, "The department is already using design-build as a project delivery methodology on projects." (This applies to projects funded by SSB 5987 and takes effect only if SSB 5987 is enacted by June 30.)

The Need

The Legislature has not increased the state gas tax since 2005, but our infrastructure needs are growing—and they will be more expensive in the future.

The Puget Sound Regional Council reports that hours of delay on freeways in the region increased 52 percent from 2010 to 2014, and they increased 25 per-

cent from 2013 to 2014 (PSRC 2015).

According to the Boston Consulting Group (BCG) and the Washington Roundtable, congestion costs each Washington driver \$840 a year. Poor road conditions cost each driver \$380 per year. Twenty-six percent of bridges are obsolete or structurally deficient. Highway preservation costs \$300,000 to \$400,000 per mile. Comparatively, by 2026, if infrastructure funding does not increase, BCG and the Roundtable estimate that congestion will cost Washington drivers \$940 a year and poor road conditions will cost \$1,040 per driver per year. Forty percent of bridges will be obsolete or structurally deficient. And highway preservation costs will jump to \$2.7 million per mile. (BCG 2014a)

Investment in infrastructure today will reap huge future benefits. BCG and the Roundtable estimate, "To bring all state highway pavement up to 'fair' condition or better, Washington must invest an additional \$3.4 billion in preservation and maintenance over the next 12 years" (BCG 2014b). Such an investment would save Washington drivers about \$4.6 billion a year. (BCG 2014a)

Along with those maintenance needs, BCG and the Roundtable considered six major transportation projects that would together cost \$7 billion, and estimated that they would yield \$42 billion in benefit over 30 years. Washington residents would benefit from reduced congestion, improved safety and lower vehicle operating costs, and more construction jobs. Businesses would gain from lower supply chain costs and expanded ports. Government would benefit from increased revenues from new commerce and lower unemployment and the avoided costs of not acting sooner. (BCG 2014b)

Comment

The multiplier effects of transportation projects and maintenance illustrated by BCG and the Roundtable would accrue to the package passed by the Senate. The new commerce that contributes higher

revenues for government services also benefits consumers in the form of more choices, which are more easily accessible thanks to infrastructure improvements.

The Senate package would provide \$1.3 billion in preservation and maintenance funding over 16 years. This is a good start, but well short of the system's needs. To avoid billions of dollars in reconstruction, congestion and vehicle operating costs, the Legislature should increase its maintenance and preservation funding to meet the \$3.4 billion need over 12 years.

Additionally, the package would fund many infrastructure projects that will help get goods to market and people to work. The economic costs of poor road conditions accrue broadly to Washington's residents, businesses, and government. Reducing congestion, improving freight capacity, and enabling new growth would help make the state more competitive and make Washington a better place to live. The investment is past due.

References

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