

Washington State's Alternative Financing Challenges and Opportunities

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Washington State has taken major recent steps towards increased transportation infrastructure investment.

2003 Funding Package

- 5¢ per gallon increase in the gas tax
- Adjustments to other taxes and fees

This package is expected to fund \$4.2 billion for investment in 104 highway and other projects in 2003-2013.

- *21 Projects are already completed; 34 more are in construction in 2006.*

2005 Funding Package

- 9.5¢ per gallon increase in the gas tax (4 year phase in)
- Other increases to licenses and fees.

This package is expected to fund \$ 9.5 billion for investment in 210 projects in 2005 – 2021

- *8 projects are completed: 15 more are in construction in 2006.*

In November 2005, voters in Washington State defeated, 54% to 46%, a citizen sponsored initiative on the ballot to repeal the gas tax increase in the 2005 Funding Package (Initiative 912).

2003 Funding Package*	
Projected Ten-Year Proceeds	
New Funding Restricted to Highway Use	
Five Cent Gas Tax Increase	\$1,747
15% Increase to Weight Fees	118
Title Fee Transfer to Nickel Account	58
Total Cash Revenue	\$1,923
Proceeds from Bond Issuance	2,600
Less Debt Service on New Bonds	(950)
Total Highway Use Restricted Funds	\$3,573 m
New Funding Available for Any Transportation Investment	
Sales Tax on Motor Vehicles	\$347
Plate Retention Fee	35
Total Cash Revenue	\$382
Proceeds from Bond Issuance	350
Less Debt Service	(132)
Total Ten Year Funds Available	\$4,173 m
2005 Transportation Funding Package	
Projected 16-Year Proceeds (dollars in millions)	
New Funding Restricted to Highway Use	
9.5¢ Gas Tax Increase (phased in over four years)	\$5,546
Trucks under 8,000 lbs.	341
Vehicle License Plate Fees	227
Interest Income	38
Total Cash Revenue Projected Over 16-Years	6,152
Less for 16-Years Total Annual Debt Service on New Bonds	-3,994
Net Available for Cash Funding Investments	\$2,158
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Proceeds of Bonds for the Program to be Repaid from Revenues	5,100
Total Investment for 18th Amendment Restricted Funds	\$7,258
New Funding Available for any Transportation Investment	
Vehicle Weight Fee	\$908
Motor Homes	130
Drivers Licenses and Related Service Fees	179
Total Investment for Non-Restricted Funds	\$1,217
Total 16-Year Funds Available for Investment	\$8,475

Backlog of projects is large. Strong growth in population and employment requires improved transportation facilities. The job is well begun but far from done!

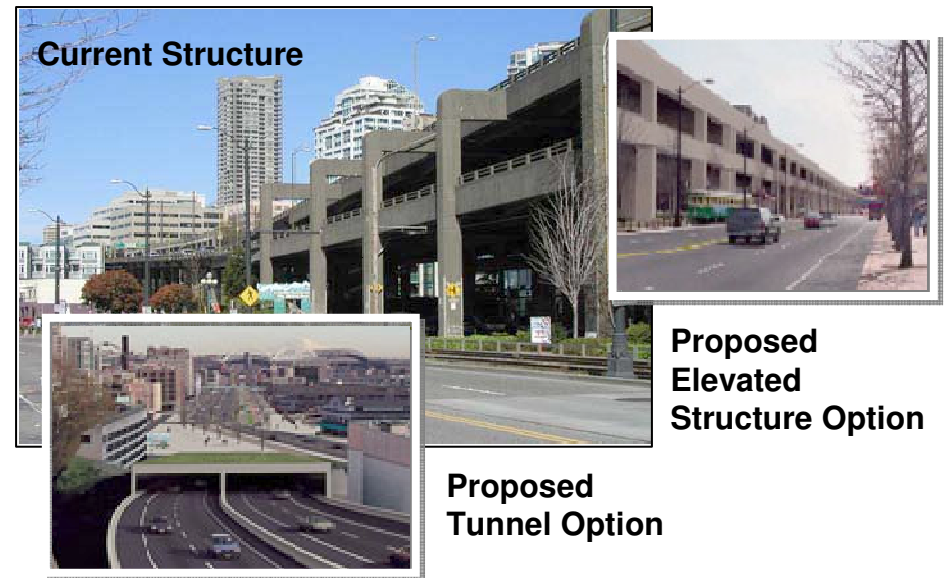
Even with recent transportation funding increases, key projects face funding gaps.

SR 520 Bridge Replacement



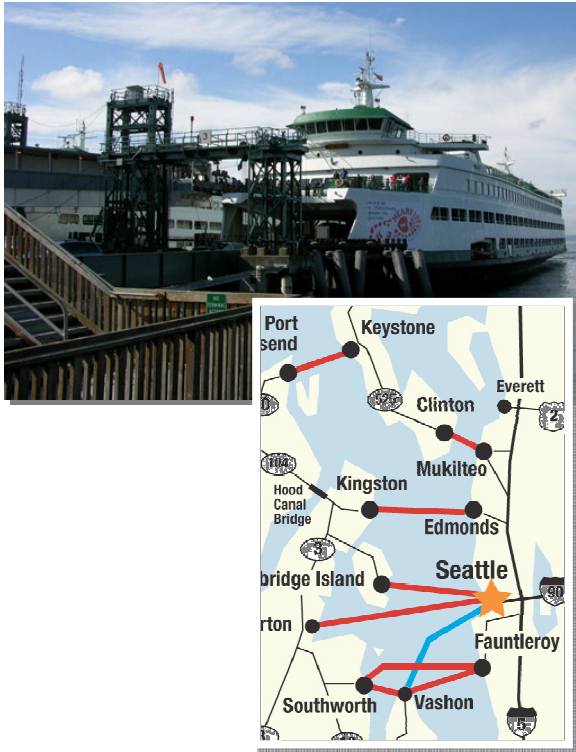
- Key commute route connects downtown Seattle with fast-growing cross-Lake Washington eastside suburban residential and employment centers.
- Outmoded bridge and approach facilities are vulnerable to earthquake and storm damage.
- Replacement crossing will add High Occupancy Vehicle lanes and improve operational capacity
- Challenging engineering, environmental and community issues.

Alaskan Way Viaduct and Seawall Replacement



- Sixty-year old earthquake vulnerable structure carries 100,000 cars, trucks and buses along downtown waterfront.
- Replacement will maintain existing capacity and also combine with City of Seattle rebuild of deteriorated seawall holding filled acreage along waterfront.
- Tolling prospects are limited by easy diversion routes to city streets and nearby north-south Interstate 5 through downtown Seattle.

Colman Dock Seattle Ferry Terminal



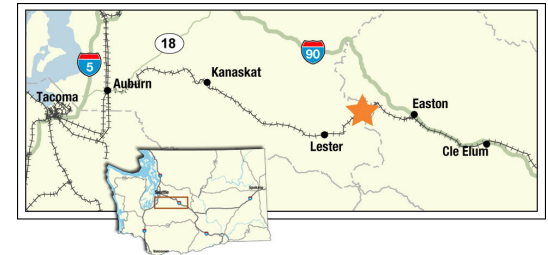
- 25,000 ferry commuters a day use Colman Dock on downtown Seattle waterfront; strong growth prospects
- 80,000 commercial vehicles a year cross Puget Sound on the Bainbridge and Bremerton ferries from Colman Dock
- Redevelopment opportunities include commercial, hotel and tourism/visitor uses.

I-5 Columbia River Crossing



- Interstate I-5 corridor connects fast growing Clark County Washington with Portland, Oregon for heavy commuter and West Coast Corridor freight use.
- Two-state planning process seeks vehicle capacity improvements, strengthened transit services and more efficient goods movement.
- Crossing structure is old and vulnerable to earthquakes.
- Tolling prospects must reckon with existing nearby Interstate 205 bypass crossing.

BNSF Stampede Pass Rail Tunnel



- Two mile long cross-Cascade Mountains railway tunnel owned by BNSF Railway.
- Potential enlargement expands capacity for east-west movement of double stack container trains to and from Puget Sound international gateway ports.
- Opportunity for creative public-private partnership to improve freight capacity and overall transportation system balance.

Five illustrative and interesting opportunities for possible public-private partnerships



	Project	Likely Project Sponsors	Project Cost/ (Funding Shortfall)	Why Intriguing?
1	SR 99 Alaska Way Viaduct Replace unsafe viaduct and waterfront seawall with 6-lane tunnel or elevated structure	WSDOT (State of Washington)	\$3.7B - \$4.5 B (-\$500m to \$1B)	Carries 25% of north-south traffic through Puget Sound region. Substantial public funding already committed.
2	SR 520 Bridge Replacement Replace vulnerable 4-lane bridge with HOV-enhanced version, with capability to add high capacity transit in future	WSDOT	\$3.1B (-\$700m to \$1.8B)	One of only two cross-lake bridges, connecting Seattle with growth region in eastside suburbs. \$500m public funding already committed.
3	I-5 Columbia River Crossing Replace existing bridge with capacity expansion, possibly light rail linkage with Portland	WSDOT & ODOT (State of Oregon)	\$2 B (-\$1.9B)	1920's-era interstate bridge links Portland metro area with Washington's fastest-growing county.
4	BNSF Stampede Pass Rail Tunnel Mothballed rail line rehabilitated and returned to service in late 1990's. Tunnel dimensions preclude full use.	BNSF Railroad & WSDOT	\$150m (tunnel only) (-\$150 m)	Expanded rail tunnel through Cascade Mountains would enable double-stack container cargo from booming ports of Tacoma and Seattle. BNSF may be interested in partnering.
5	Colman Dock Seattle Ferry Terminal Replace existing ferry dock, passenger terminal and auto holding area; enhance public amenities and create private sector uses	WSDOT	\$275m (-\$50m)	Upgrades to existing ferry terminal offer unique opportunity for mixed-use development.

The special challenge: a model for highway infrastructure projects that accommodates the future – roadway system variable pricing

Present Needs

SR 520 Bridge Replacement

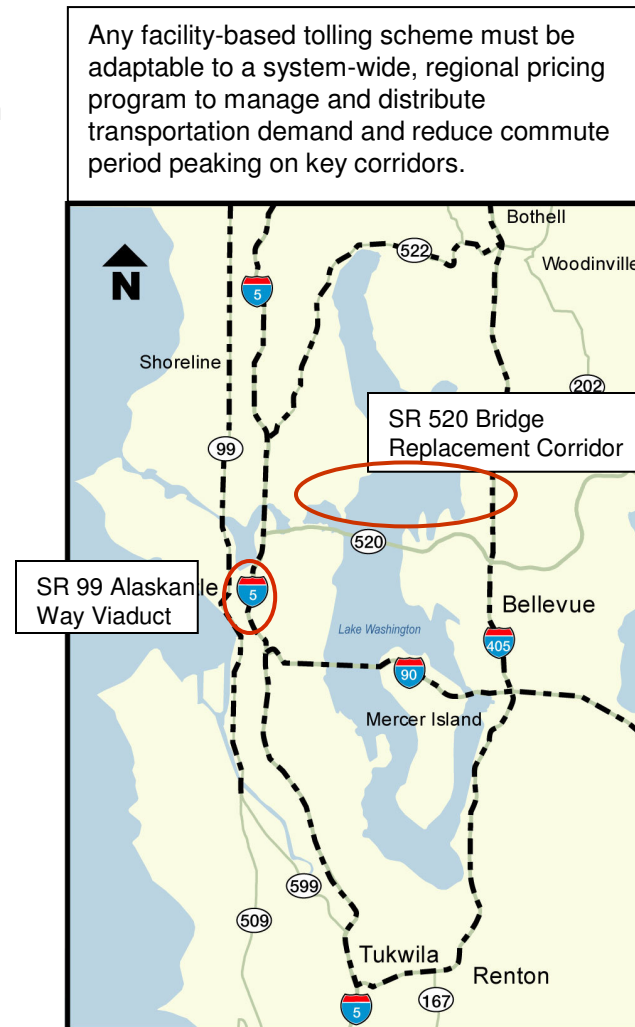
Replace obsolete earthquake/storm vulnerable 4 – lane floating bridge between cross lake residential and business areas.

New facility improves general lane performance, adds HOV lanes and supports future expansion for high capacity transit.

Estimated cost: \$2.3 – \$4.3 billion

Strong public policy need to achieve this project.

Any facility-based tolling scheme must be adaptable to a system-wide, regional pricing program to manage and distribute transportation demand and reduce commute period peaking on key corridors.



Future Scenario

“Two major trends will dominate the U.S. highway sector in the year ahead: the first trend will be a growing use of tolls and variable road pricing, motivated by the need to generate additional revenue and by a desire to more effectively manage highway demand; the second trend will be a bigger role played by the private sector in the design, construction, financing and operation of toll roads.”

—Ken Orski, “Private Sector Involvement in Infrastructure: the Dawn of a New Era?”
Tolling/Innovative Financing, May 2006

“Region-wide value pricing (roadway toll rates vary according to demand levels) is indicated to be very effective in reducing total delay. Roadway tolling helps to dampen travel demand, shorten trips, shift travel to non-peak periods, and encourages use of other travel options...”

Congestion Relief Analysis for the Central Puget Sound, Spokane & Vancouver Urban Areas WSDOT, March, 2006

Possibilities for the Commission's consideration

Increased flexibility for tolling the interstate

The ability to toll interstates is critical, especially in light of the looming deficit in the federal highway trust fund. The current limited, pilot-project approach (tolling only for new capacity or reconstruction) is not flexible enough and should be expanded:

Perhaps tolling existing interstates could have certain parameters, such as within congested urban areas...

...or for facilities parallel to a roadway or bridge that would be tolled – eliminate the free diversionary route (I-90/520 situation, or I-5/I-205 situation)

Increased flexibility for public borrowing

Perhaps increasing the amount of Private Activity Bonds (tax-exempt bonds, up to 40 years, for transportation projects) available to states. Our high-cost, mega-projects need more flexible financing options, and PAB's give us a chance to combine public-sector, tax exempt borrowing with private investment in the facility

Explore options for augmenting or replacing federal fuels tax.

A national policy to augment or replace the federal gas tax with a user-based fee. The same study work underway in Oregon and Washington State ought to be conducted at the federal level, to plan for the next generation of highway financing.