

Summary of Senate Transportation Committee Chair's Proposed 2020 Supplemental Transportation Budget

The 2020 Chair's proposed Supplemental Transportation Budget includes nearly \$10.5 billion in appropriation authority, a net increase of \$664 million from the 2019 enacted biennial budget. This net increase is a combination of approximately \$869 million reappropriated from the 2017-19 to the 2019-21 biennium for delayed capital project activity, cost increases, and reduced appropriations to account for a significant revenue reduction.

Resources

The budget proposal is based on the February 2020 revenue forecast which includes a modest upward adjustment from the November 2019 forecast used in developing the Governor's budget proposal submitted in December. However, since the March 2019 forecast used to develop the 2019 enacted transportation budget, transportation revenue projections are down \$344 million (5.1%) in the 2019-21 biennium and \$2.6 billion (7.4%) over the 10-year forecast horizon. This is the net impact of the revenue loss from Initiative 976 being partially offset by the policies from the 2019 session that raised revenue. Initiative 976 caused a loss of \$453 million in state funds in the 2019-21 biennium, which reduced revenues primarily to the Multimodal Transportation Account (\$338 million); the Motor Vehicle, Transportation Partnership, and 2003 Nickel Accounts (\$88 million); as well as the State Patrol Highway Account (\$24 million).

To account for significantly reduced resources, a number of short-term strategies were employed:

Transfers: Fewer funds are transferred out of the Multimodal Transportation Account, including reducing \$60 million in transfers to ferry accounts. More funds are transferred into the Multimodal Transportation Account, including redirecting an \$82 million 'sales tax equivalent' transfer, more funds from the Highway Safety Account (shifting State Patrol expenditures to the Motor Vehicle Account), and available fund balances from other accounts. However, these actions created a larger deficit in the Motor Vehicle Account.

Reduced appropriations: Expenditure authority for the majority of agencies has been reduced by an amount that reflects anticipated under expenditures in the 2019-21 biennium. Under expenditure assumptions are based on historical spending trends and vary by agency and division. For capital programs, under expenditures are assumed at no more than 50% of average underruns that have been realized over the last three biennia. For operating programs, underruns are at or below average amounts realized over the last three biennia. No highway projects are reduced or delayed as a result of revenue reductions and no highway projects are assumed to be paused this biennium. See LEAP Document Agency Expenditure Reductions 2020 for a summary of agency expenditure reductions.

Shift toll related activities to toll accounts: \$10.8 million of activities conducted on, or in support of, toll facilities are shifted temporarily from existing funding sources to toll-funded. Activities include toll facilities' proportional shares of transportation management, planning, and corridor maintenance by the Department of Transportation; toll rate setting by the Transportation Commission; and State Patrol activities. An additional \$680,000 is permanently shifted to the I-405/SR 167 toll account for roadway maintenance purposes on the SR 167 express toll lanes.

E2SHB 2042 expenditures aligned with revenues available in the 2019-21 biennium: Appropriations and tax credits provided in E2SHB 2042 (green transportation adoption) in 2019 are more closely aligned with revenues generated by the bill in the current biennium to avoid additional impacts to the Multimodal Transportation Account. Special needs transportation funding was retained: however, various grant programs that had not yet awarded funding have been postponed or reduced.

Restitutive expenditure authority: Conditional expenditure authority is provided for certain entities that would become available should Initiative 976 be overturned by a court of final jurisdiction.

As in prior years the budget proposal is further supported by federal funds, bond sales, and some pre-existing account balances, in part as a result of delayed capital project activity in the 2017-19 biennium. No additional bonding was used to mitigate the impacts of lower revenue. As in the Governor's proposed budget, expenditure reductions have not been identified beyond the 2019-21 biennium. Given the significant loss of revenue over the next 10 years as compared to the 2019 enacted transportation budget, this leaves some transportation accounts with future projected negative ending fund balances.

Appropriations

The Chair's proposed budget provides \$10.5 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, a net increase of just over 11% from enacted 2019-21 biennium spending levels (excluding expenditure authority that may be restored should Initiative 976 be overturned), the majority due to reappropriations from last biennium. Notable capital project expenditures include:

- Department of Transportation – Highway Funding
 - \$175 million of Connecting Washington funding moved to the 2019-21 biennium

for fish passage barrier removal, making the total \$275 million this biennium to help fully fund the cost of complying with the court injunction by 2030

- \$643 million of funding for the 2021-23 biennium for fish passage barrier removal, intended to be funded with expected new revenue from the Chair's Forward Washington revenue package proposal, and supplemented with savings deposited into the Transportation Future Funding Program Account from completed under-budget Connecting Washington projects
 - \$25 million (added in the 2021-23 biennium) to complete the final project for the SR 99/Alaskan Way Viaduct Replacement Program; increases are intended to be funded by damages from the contractor when court proceedings are finalized
 - The approximately \$10 million loan to the Alaskan Way Viaduct Replacement Project Account from last biennium is anticipated to be fully repaid this biennium looking at trends from the first three months of tolling
 - (\$8.4 million) in savings for the Transportation Partnership, Motor Vehicle, and Multimodal Transportation Accounts due to completed projects coming in under budget
 - \$1.5 million in additional environmental litigation funds
 - Phasing changes and toll-funded added costs for preservation activities on various tolled facilities
 - (\$24.5 million) removed from the I-82 West Richland - Red Mountain Interchange project after FHWA rejected the interchange justification report
- Department of Transportation – Ferry Funding
 - \$10.9 million Seattle Terminal Replacement cost increase
 - Department of Transportation - Public Transportation Funding
 - \$11.9 million of 2021-23 biennium funding for Pierce Transit's SR 7 Bus Rapid Transit line is advanced to the 2019-21 biennium to support its application for federal grant funding

Operating Expenditure Adjustments

The Chair's proposed budget includes about \$4.7 billion in expenditures in the various operating programs, a half percent (0.5) decrease from enacted 2019-21 biennium spending levels (excluding expenditure authority that may be restored should Initiative 976 be overturned). Notable operating expenditure adjustments include:

- Department of Transportation – IT, Tolling, Support, and Planning
 - \$14.2 million for tolling vendor operations increases, partly due to a new facility coming online (and some of which is one-time)
 - \$1.2 million to ensure One Washington complies with Federal Highway Administration requirements

- Authorization is granted to pay for a capital systems replacement project by allocating costs to highway capital projects in the 2019-21 biennium
- Department of Transportation – Ferry and Rail Operating
 - \$5.4 million for additional staffing costs, including \$4.4 million for vessel crew overtime and \$1 million for additional terminal staffing costs
 - \$4.2 million for training including for crew qualification, break-in training for reassignments, evacuation slide training, and electronic navigation training
 - (\$4.3 million) savings due to the retirement of the MV Elwha ferry vessel
 - (\$5.3 million) savings due to the delay in resuming additional Amtrak Cascades service between Seattle and Portland
- Department of Transportation – Payments to Other Agencies
 - \$5 million for additional lawsuit costs
 - \$522,000 for increased costs from the Office of Minority and Women Business Enterprises to place two staff in regional locations and other efforts to reduce their certification backlog
- Washington State Patrol
 - \$975,000 to replace reduced Enhanced 911 revenue supporting emergency dispatch services in King County
 - \$830,000 for additional information technology security efforts
 - (\$7.1 million) savings from updated projections of trooper and non-field force staff vacancies
- Department of Licensing
 - \$1.5 million for the relocation of the Lacey Licensing Service Office (LSO), emergency repairs to the Vancouver LSO, and the funds to finish relocation of the Bel-Red LSO
 - \$264,000 for staffing and implementation costs associated with E2SHB 2042 (green transportation adoption) from the 2019 legislative session
 - \$117,000 for information technology upgrades for the changes required by Initiative 976
 - (\$7.2 million) state savings based on Sound Transit beginning to pay for the full costs associated with the collection of the Motor Vehicle Excise Tax
 - (\$2 million) savings from assumed implementation of efficiency measures
- Multiple or Other Agencies
 - Any additional compensation adjustments will be provided in accordance with adjustments provided in the 2020 supplemental omnibus appropriations act

Policy Highlights

- Organ transport vehicles are added to HOV lane occupancy requirement exemptions.
- WSDOT is directed to work with interested stakeholders to conduct a sample performance-based evaluation of two existing projects using a matrix of existing policy goals and additional themes in a report by December 2020. The Joint Transportation Committee is also directed, through the existing Statewide Transportation Needs Assessment, to review whether the existing policy goals should be updated.
- The Transportation Commission is directed to work jointly with the Department of Licensing, if federal funding becomes available, to develop an implementation plan for imposing a per mile fee on electric, hybrid, and state fleet vehicles that builds off the Commission's ongoing work in evaluating a road usage charge.
- The Transportation Commission is directed to convene a Ferry Capital Construction Oversight Committee, comprised of citizens from ferry communities, to review the Washington State Ferries capital construction plan and make recommendations to control costs and ensure that ferry capital investments meet projected future needs.
- The MV Elwha, one of two vessels capable of sailing internationally, is retired. The retirement avoids \$19 million in capital costs and reduces operating costs (net of revenue lost) by \$3 million per year. WSF will move its only reserve boat, the Sealth, into regular service. Scheduled sailings will not change as a result of this vessel retirement.
- The Office of Financial Management is directed to issue a request for information for an account-based system capable of processing state tolling, state ferry ticketing and reservations, and state parks discover pass transactions.