



JOINT TRANSPORTATION COMMITTEE

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October 21, 2013

TO: Members of the House and Senate Transportation Committees

SUBJECT: Joint Transportation Committee Activity Update

In the 2013 Supplemental Transportation Budget (ESSB 5024), the Legislature directed the Joint Transportation Committee (JTC) to undertake five studies, and all are underway. One study included an appropriation of \$325,000 to hire consultants. The other four are staff studies, with staff from the JTC and the House and the Senate Transportation Committees conducting the study within existing resources, and with significant assistance from state agency personnel and others.

Attached are summaries of the five 2013 studies:

- Transportation project efficiencies and cost drivers (p. 3)
- Columbia River Crossing Oversight Subcommittee (p. 4)
- Requirement for unexpired Washington driver's license to register a motor vehicle (p. 6)
- Internal refinance opportunities for the Tacoma Narrows Bridge (p. 7)
- WSDOT surplus property to fund facility replacements (p. 9)

In addition to meetings associated with specific studies, the JTC has met three times so far this interim:

- July 24th in Centralia
- September 11th in Seattle
- October 9th in Tacoma

Three more meetings are planned:

- November 19th in Vancouver, in conjunction with the Washington Association of Counties annual meeting
- December 12th in Olympia
- January 8th in Olympia

Due to the June special session, we had to cancel a June 27 and 28th meeting in the Tri-Cities, which included a freight-focused bus tour. However, approximately 40 legislators, legislative staff, WSDOT staff and City of Seattle officials were able to participate in our September 11th tour of the SR 99 tunnel project, and see "Bertha" the world's largest tunnel boring machine.

Thanks to the thirty-two members of the House and Senate who have participated in one or more JTC meetings and tours this interim. Your participation is invaluable, and contributes to the richness of discussion and the thoroughness of our work.

The JTC website provides links to all current and past studies, including meeting presentations and reports. <http://www.leg.wa.gov/JTC/Meetings/Pages/default.aspx>.

If you have any questions, please contact the JTC staff:

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Representative Judy Clibborn
Co-Chair



Senator Curtis King
Co-Chair



Senator Tracey Eide
Co-Chair



Representative Ed Orcutt

Enclosures: JTC Studies

Summaries of 2013 Joint Transportation Committee Studies

October 21, 2013

Transportation Project Efficiencies and Cost Drivers

The 2013 Legislature provided \$325,000 for a study of transportation project cost drivers and potential efficiencies (ESSB 5024 Section 204(1)). The goal is to construct projects more efficiently and to build and operate them at a lower cost, while ensuring appropriate environmental and regulatory protections are maintained and a quality project delivered. The project scope is limited to state-level policies and practices related to the planning, design, permitting, construction, financing and operation of WSDOT road and bridge projects.

The consulting team selected to conduct the study is led by Berk & Associates, and also includes Scanlan Consulting and Lund Consulting. They began work on June 24, 2013.

The study will:

- Analyze transportation cost drivers in Washington State,
- Identify best practices for the specific cost drivers,
- Compare WSDOT costs to comparable project costs elsewhere,
- Identify inefficiencies in state policy or agency practice where changes may save money,
- Recommend changes to improve efficiency and save money,
- Identify the potential savings to be achieved by adopting the proposed changes.

The study is guided by an Advisory Panel made up of the four JTC Executive Committee members, a designee of the WSDOT Secretary, representatives of business, general contractors, environmental, and labor interests.

The Advisory Panel has met twice to date. On August 6th, the consultant team facilitated an initial discussion of the full array of cost drivers. During the September 30th meeting, the Panel received presentations on WSDOT's project costs, including mitigation, and detailed information on two costs drivers: sales tax paid on construction and prevailing wage.

In addition, the consultant team hosted a technical workshop for Advisory Panelists and staff work group members. At the workshop, participants were guided through the cost data set provided by WSDOT and discussed how the data will be used to analyze WSDOT's costs.

The Advisory Panel will meet again on October 29th to review detailed information about the remaining cost drivers and discuss potential recommendations for changes in policies and practices. On December 3rd, the consultants will present the draft final assessment and recommendations for the Panel's review and input. The consultant report is due by December 31, 2013.

Study materials are available at <http://www.leg.wa.gov/JTC/Pages/TransportationProjectEfficiencies.aspx>

Study origin:	2013 Transportation Budget, ESSB 5024, Sec. 204(1)
Report:	December 31, 2013
Appropriation:	\$325,000 (contract signed for \$300,000)
Project Manager:	Beth Redfield (360) 786-7327; Mary Fleckenstein, back-up (360) 786-7312
HTC Staff:	Alyssa Ball (360) 786-7140
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Columbia River Crossing Oversight Subcommittee

The 2013 Legislature directed the Joint Transportation Committee to reconvene the Columbia River Crossing Oversight Subcommittee to review project and financing information, and to coordinate with the Oregon legislative oversight committee (ESSB 5024, Sec 204(3)).

Subcommittee members included Rep. Judy Clibborn, Subcommittee Chair; Rep. Ed Orcutt, Rep. Jim Moeller, Rep. Paul Harris, Sen. Curtis King, Sen. Tracey Eide, Sen. Ann Rivers, Sen. Annette Cleveland, citizen representative Rhonda Boni-Burden, and Secretary of Transportation Lynn Peterson.

The Subcommittee met once at Vancouver City Hall on October 8, 2013.

Secretary Lynn Peterson provided a summary of the project shut-down in Washington, which began at 10:00 AM on July 1, 2013, after the Governor vetoed \$81.7 million appropriated for the project in May, saying he saw “no wisdom in expending these funds if the state of Washington does not contribute its share of funding necessary to complete the project”. In subsequent 2013 special sessions, the Legislature did not appropriate additional project funds. Secretary Peterson reported WSDOT has spent \$1.2 million to-date on the shut-down, which will be completed by the end of 2013.

Dan Mathis, Washington Division Administrator of the Federal Highways Administration, discussed the likelihood of Washington and Oregon being required to reimburse the federal government for federal funds expended on preliminary engineering for the project. No reimbursement will be expected before April, 2014, a date that represents 10 years since the first federal funds were obligated on the project. It’s unclear whether any reimbursement will be required; however, if the project moves forward as an Oregon-led project, no reimbursement would be required.

Washington’s Legislative Auditor Keenan Konopaski updated the Subcommittee on the forensic accounting audit the Joint Legislative Audit and Review Committee (JLARC) was directed to undertake in the 2013-15 Transportation Budget. The audit will be conducted by the State Auditor’s Office under a contract with JLARC, and is expected to be completed by April, 2014.

Kris Strickler, Oregon DOT’s Columbia River Crossing Project Director, updated the Subcommittee on Oregon efforts to contemplate constructing the project in a phased approach, with Oregon taking the lead. Doing so would require a number of intergovernmental agreements with Washington state and local agencies. Oregon would construct the project including modifications to the SR 14 interchange in Washington, issue the debt, and be responsible for tolling implementation. Oregon’s \$450 million equity contribution to the project has lapsed, and therefore additional legislative action is needed to appropriate the funds. It is unclear at this point whether Oregon will move forward with the project.

Strickler also reported that the US Coast Guard has approved the General Bridge Permit and mitigation agreements have been signed with all three metal fabricators located upstream from the bridge.

Assistant Attorneys General Bryce Brown (Washington) and Ethan Hasenstein (Oregon) described their legal analysis of potential fatal flaws in the Oregon-led phased project implementation. In summary, Brown concluded that WSDOT has existing authority to authorize Oregon to construct, operate, and maintain a bridge over the Columbia River and on Washington lands, and he sees no fatal flaws that would preclude Oregon’s lead on the project. Hasenstein concluded that a viable legal pathway exists for the Oregon-led project to be constructed, but that it relies on a joint endeavor of both states; that Oregon has authority to toll the project, but that toll enforcement issues still require resolution with Washington to prevent toll revenue leakage. Hasenstein also concluded that Oregon has the legal authority to enter into agreements with Washington to

construct an Oregon-financed initial phases of the CRC in Washington and that toll revenue and other state highway funds may be expended on Washington highway improvements that directly facilitate the use of the Oregon highway system.

The Subcommittee also received a September 26, 2013, letter from Oregon State Treasurer Ted Wheeler to Oregon legislative leaders in which he states “It is premature to conclude that the (Oregon-led) project can work, financially. The answer will ultimately depend on required negotiations and agreements that are not completed.”

Strickler also spoke about the \$850 million Federal Transit Administration New Starts Grant anticipated to fund the light rail construction component of the project. The project is still in line to receive the funds, but TriMet is now the grant recipient rather than WSDOT. C-TRAN Board Vice-Chair and Clark County Commissioner Steve Stuart spoke about an agreement C-TRAN has entered into with TriMet to fund light rail operations.

WSDOT staff will work with ODOT and FHWA staff to answer a number of questions that remained at the conclusion of the October 8th meeting, including the extent to which work already completed on the project may be usable if the project moves forward in the future.

Subcommittee materials are available at <http://www.leg.wa.gov/JTC/Pages/CRCOversight.aspx>

Study origin:	2013 Transportation Budget, ESSB 5024, Sec. 204(3)
Appropriation:	Within existing funds
Project Manager:	Mary Fleckenstein (360) 786-7312; Beth Redfield, back-up (360) 786-7327
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Requirement for Unexpired Washington Driver's License to Register a Motor Vehicle

The 2013-15 Transportation Budget (ESSB 5024, Section 204(2)) directs the Joint Transportation Committee to coordinate a Work Group "to identify possible issues relating to the administration of, compliance with, and enforcement of state law requiring a person to provide an unexpired (Washington) driver's license when registering a motor vehicle".

The requirement for presentation of an unexpired Washington driver's license was enacted in 2005 largely to ensure that state residents not retain driver's licenses from other states which would enable them to claim an exemption from the Washington state sales and use tax. The sales tax avoidance occurs throughout the state but is most pronounced along the Oregon border since Oregon has no sales tax. The effectiveness of the requirement in preventing the tax avoidance is not clear, and the requirement for presentation of a driver's license presents challenges to members of the public licensing a vehicle, and to licensing agents (subagents and county auditors and their agents).

As prescribed by the study proviso, a study Work Group has been formed, comprised of representatives from the Department of Licensing, Department of Revenue, county auditors or other agents, and vehicle license subagents. Subagent and county auditor representation on the Work Group reflects urban and rural, and border and other areas. Work Group participants are from Clark, Cowlitz, Douglas, Grant, King, Snohomish, and Spokane counties.

To better understand the processes, business practices, and concerns of each group, study staff interviewed groups of subagents, county auditors and their staff, Department of Licensing and Revenue staff, and personnel from the License Fraud Unit of the Washington State Patrol in June and July. The Work Group met on August 15th to discuss the effectiveness of the current licensing process, compliance with the law, and options to improve the process. A draft set of options for changing the vehicle registration process has been reviewed and commented on by Work Group members. Further analysis and detailing of Work Group member comments is now being conducted. The draft narrative on the current licensing process, discussed at the meeting, is also being updated.

A draft report will be presented to the Joint Transportation Committee at its November 19th meeting in Vancouver. A draft final report is planned for the December 12th JTC meeting. A Final Report is due to the House and Senate Transportation Committees by December 31, 2013.

Study materials are available at <http://www.leg.wa.gov/JTC/Pages/SubagentsWorkgroupStudy.aspx>

Study origin:	2013 Transportation Budget, ESSB 5024, Sec. 204(2)
Report:	December 31, 2013
Appropriation:	Within existing funds
Project Manager:	Gene Baxstrom (360) 786-7398; Mary Fleckenstein, back-up (360) 786-7312
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Internal Refinance Opportunities for the Tacoma Narrows Bridge

The Legislature directed the JTC to convene a work group to identify and evaluate internal refinance opportunities for the Tacoma Narrows Bridge (TNB) (ESSB 5024, Sec 204(4)). The work group includes staff from the Office of Financial Management, the Transportation Commission, WSDOT, the Office of the State Treasurer, and the legislative transportation committees.

The work group has met several times, providing materials and feedback related to the history of the bridge, its financing, toll rates, expenses, traffic and other related topics; and valuable assistance in evaluating work products.

Staff made an initial presentation to the JTC on July 9th, focusing on project history. The new TNB originally was to have been a public-private partnership, with the private sector financing the project and imposing tolls on the existing bridge to finance construction of the new bridge. A Washington Supreme Court decision declared tolls on the existing bridge illegal. A subsequent legislative decision to provide no gas tax funding to finance debt service during construction led to the State Finance Committee's decision to finance the new bridge with zero coupon bonds. These instruments require no debt service payments until maturity, allowing the bridge to be constructed without a revenue stream. However, the bonds were non-callable (could not be refinanced), and stair-stepped. Debt service payments were lower at the beginning, allowing for lower tolls; debt service escalates throughout the life of the debt, as do the projected tolls to pay that debt service.

According to the bridge's 2005 finance plan, tolls were to grow from \$3 in 2008 to \$4 in 2010, \$5 in 2013, and max out at \$6 from 2016 – 2030, when debt service is paid off and tolls end. Those toll levels were assumed sufficient to pay required costs, given the traffic estimates projected at that time. However, since the bridge opened, bridge expenditures, traffic levels and tolls have all been lower than expected. The lower traffic has especially concerned some people, fearing it would continue to drop and drive unaffordably high tolls.

As part of this study, staff worked with WSDOT to develop a "scenario estimating tool" to estimate the potential effect on toll rates of different traffic and expenditure levels, and the potential effect of non-toll revenues paying for various elements of facility costs. The results of the various scenarios are rough estimates, suggesting general trends but requiring further expert analysis to make informed decisions.

Three traffic scenarios were evaluated; traffic is a major driver of toll revenues, and traffic has typically been below the forecast. The scenarios were the current official traffic forecast, a zero growth scenario, and a pessimistic scenario (assuming traffic would fall 0.8% every year through 2030). Toll rates are described as the blended rate – the weighted average toll paid by all bridge users (higher than the *Good To Go!* toll).

In a "base case" scenario where tolls pay all costs as required in current law, and costs are inflated by the full inflation rate, tolls max out at \$6 in the current traffic forecast, about \$7.70 in the flat traffic scenario, and about \$8.60 in the pessimistic traffic scenario.

Staff evaluated seven scenarios of differing expenditure and revenue options. The results are described in the table below. The loan scenarios assume toll payers will repay the loan in the years following 2030, when the debt service is paid off, by extending the length of time tolls are paid. Below are shown 5-year repayment tolls (repayment from 2031 – 2035). If repaid over 10 years, the tolls would be lower than what's shown below.

In each case, it would be up to the Transportation Commission to set the tolls for the facility. It's likely that if the Legislature adopts one of these scenarios to affect TNB tolls, users of other tolled facilities will want similar treatment; and if the funding source for these scenarios is the motor vehicle account, other programs and projects funded by the gas tax will be affected. The Office of the State Treasurer has stated concerns that if it looks like the Legislature is setting tolls, bond markets will not react well and that could drive up future interest rates for toll-backed bonds.

Scenario		Potential impact on tolls	Potential impact on motor vehicle account	Other considerations
1	The \$58 million deferred sales tax is repaid by non-toll revenues, FY 2019-2028	35 – 45 cents	\$58 million, or about \$11 million a biennium	SR 520 deferred sales tax is \$144 million, FY 2022 – FY 2031. If also repaid by motor vehicle account, costs \$201 million, or \$30 - \$40 m/biennium
2	5% cut in toll vendor and toll operations budget	5 cents		Already enacted in FY 2013-15 budget
3	Non-toll revenues pay preservation costs of \$26 million through 2030	10-15 cents on average	\$26 million	Users of other tolled facilities will want similar treatment.
4 “gift”	Tolls only pay debt service – gift from motor vehicle fund	\$1.10 - \$1.45, on average, FY 2016 - 2030	\$276 million FY 2016 – 2030, averaging \$30 - \$42 million/biennium	<ul style="list-style-type: none"> • Users of other tolled facilities will want similar treatment. • Impact on other projects and programs funded from the motor vehicle account
4 “loan”	Tolls only pay debt service; loan from motor vehicle fund; repayment toll paid 2031-2035	Same savings as above; repayment toll averages \$3.70 - \$5.75	\$276 million FY 2016 – 2030, avg \$30 - \$42 million/biennium repaid beginning 2031	<ul style="list-style-type: none"> • Users of other tolled facilities will want similar treatment • Impact on other projects and programs funded from the motor vehicle account
5 “loan”	Maximum \$6 toll; loan from motor vehicle fund; repayment toll paid 2031 - 2035	80 cents - \$1.30 average savings; repayment toll averages \$3.45 - \$5.00	\$185 - \$240 million Repaid beginning 2031	<ul style="list-style-type: none"> • Affects only zero growth and pessimistic traffic scenarios because tolls don’t exceed \$6 in current traffic forecast • Users of other tolled facilities will want similar treatment • Impact on other projects and programs funded from the motor vehicle account
6 “loan”	Level debt service beginning in FY 2016; loan from motor vehicle fund; repayment toll paid 2031 - 2035	\$1 - \$1.30 of potential average savings; repayment toll averages \$3.10 - \$4.75	\$231 million Repaid beginning 2031	<ul style="list-style-type: none"> • Loan from motor vehicle fund would offset the effect of escalating debt service; • Impact on other projects and programs funded from the motor vehicle account
7	Likelihood of double digit tolls	Not likely to reach double digit tolls	NA	<p>Extreme unlikely scenarios may result in blended toll slightly above \$10 in the last 1-3 years of debt service payment:</p> <ul style="list-style-type: none"> • traffic falling 2% every year; • 9% annual inflation • 1.5% annual traffic decline plus 5% annual inflation

Study materials can be found at <http://www.leg.wa.gov/JTC/Pages/TacomaNarrowsBridgeRefinanceStudy.aspx>

Study origin:	2013 Transportation Budget, ESSB 5024, Sec. 204(4)
Report:	December 31, 2013
Appropriation:	Within existing funds
Project Manager:	Mary Fleckenstein (360) 786-7312; Beth Redfield, back-up (360-786-7327)
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WSDOT Surplus Property

The Legislature directed the Joint Transportation Committee to study and review the use of surplus property proceeds to fund facility replacement projects, and the possibility of using the north central region of the Department of Transportation as a pilot project. In conducting the review, the JTC is to consult with the Department of Transportation and the Office of Financial Management regarding WSDOT's current process for prioritizing and funding facility improvement and replacement projects.

WSDOT owns about 5,600 parcels of property totaling over 25,000 acres. These parcels include but are not limited to improved properties with buildings, right-of-way corridor purchases for future facilities, and excess holdings from past projects, including staging areas. Currently, over 350 of these properties have been identified as surplus property. Ongoing evaluations are aimed at divesting of additional surplus properties, both for revenue and divestiture of ownership liabilities.

Staff from the legislative transportation committees, WSDOT and OFM have reviewed past studies on WSDOT facility management and discussed facility inventory efforts currently underway.

Legislative and OFM staff held two meetings with WSDOT personnel in September and October. Issues discussed at the first meeting included the process for identifying surplus property and the process by which that property goes from state inventory to being sold. Overall facility needs were discussed, as was the real estate management relationship among WSDOT's facilities management office, real estate and administrative divisions, and regional administration.

At the second meeting, the following issues were discussed:

- Income from property sales and leases
- The surplus property disposal process
- Ideas to improve the disposal process, and
- Progress on a WSDOT inventory of facilities, mandated in the 2013 Transportation Budget and due by December 31, 2013.

Staff will prepare a briefing paper providing an overview of real estate management within WSDOT, including facilities administration and real estate activities managed by staff from the WSDOT Facilities Program (D) and the Program Delivery Management and Support Program (H). Facility needs will be summarized, including prioritization of projects across the state and within WSDOT regions. The paper will describe the potential scale of surplus property divestiture, opportunities to expedite property sales, and the use of funds from those sales. Equal value exchanges and incentivizing the sale of surplus property will also be reviewed.

A preliminary outline will be presented to the JTC in December, and additional materials will be available in January, 2014.

Study materials are available at <http://www.leg.wa.gov/JTC/Pages/SurplusPropertyStudy.aspx>

Study origin:	2013 Transportation Budget, ESSB 5024, Section 204(5)
Appropriation:	Within existing funds
Project Manager:	Gene Baxstrom (360) 786-7398; Mary Fleckenstein, back-up (360) 786-7312
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STC Staff:	Hayley Gamble (360) 786-7452