

Transportation Challenges, Choices, and Solutions



**Provincial Congress on
Transportation Infrastructure
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An Overwhelmed Transportation System

- ◆ Threatens competitiveness, jobs and economic vitality
- ◆ Wastes people's time and money
- ◆ Diminishes quality of life and degrades the environment



For urban and suburban commuters.



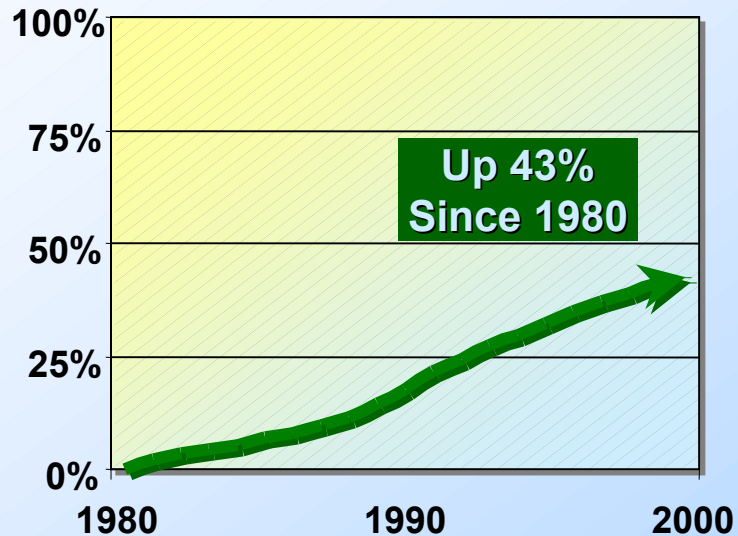
For manufacturers, growers, shippers and haulers.



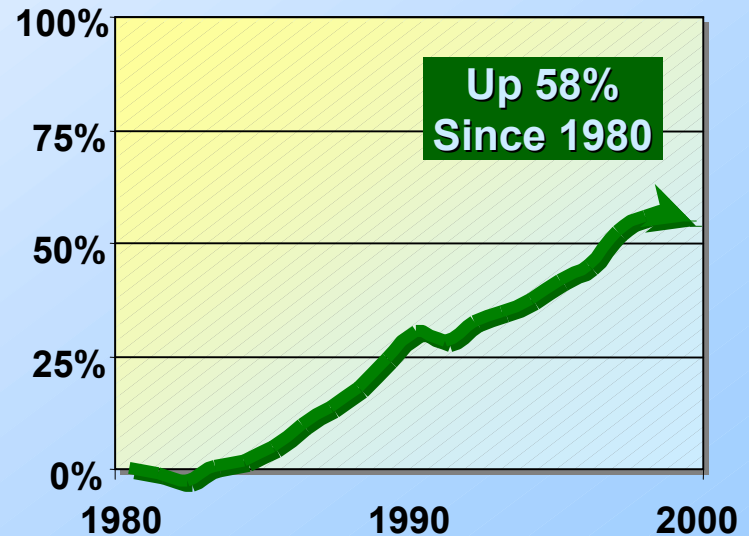
For frustrated citizens across the state.

The Crisis Should Come as No Surprise!

Population is up...

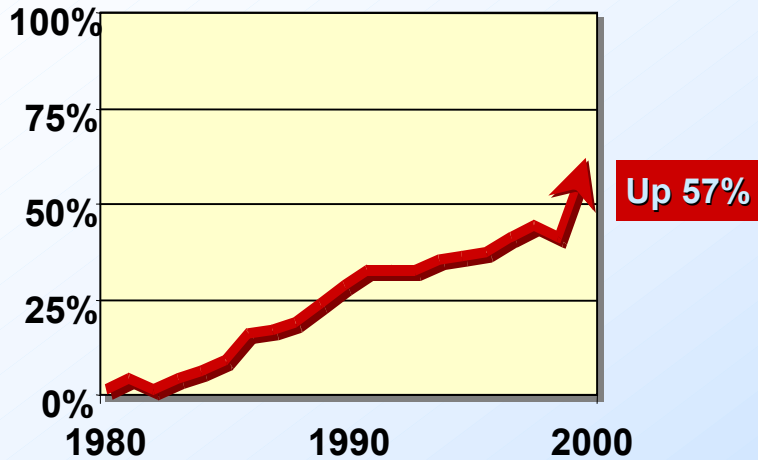


Jobs are up...

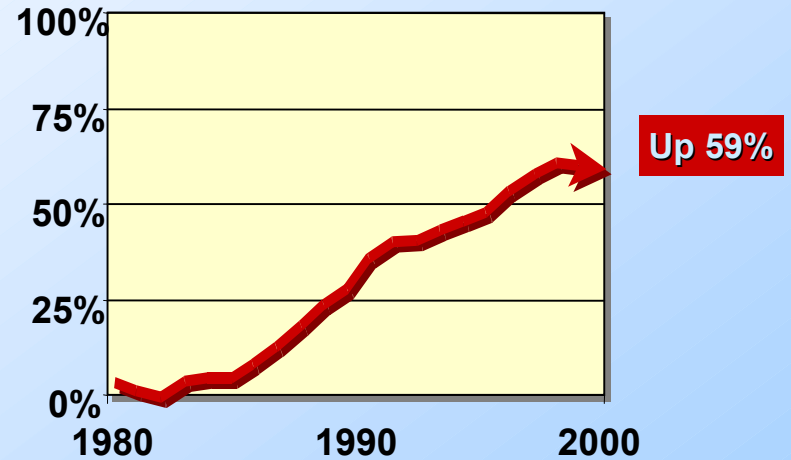


...And as a Result

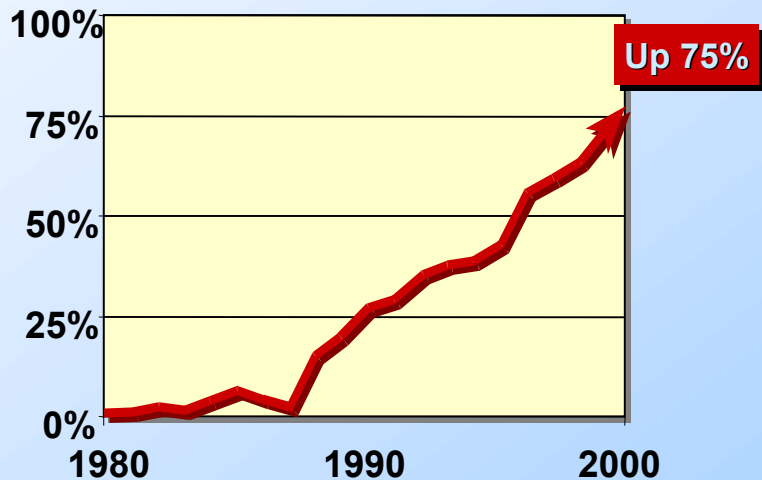
▶ **Vehicle registrations are up**



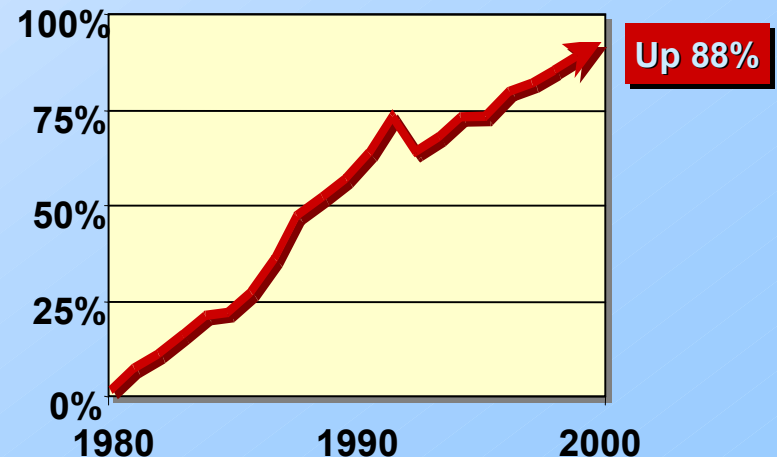
▶ **Ferry passengers are up**



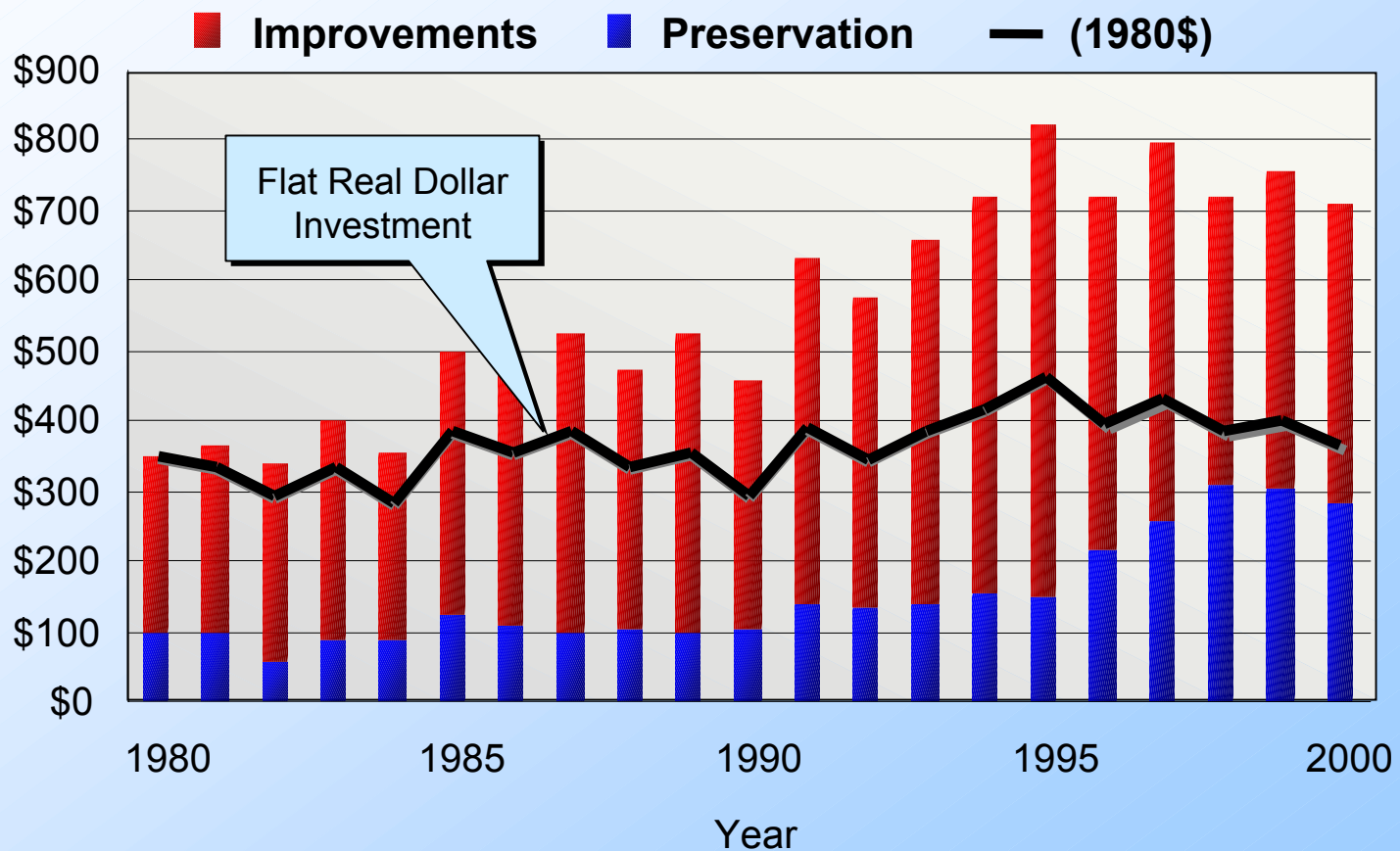
▶ **Transit and vanpool riders are up**



▶ **Vehicle miles are up**

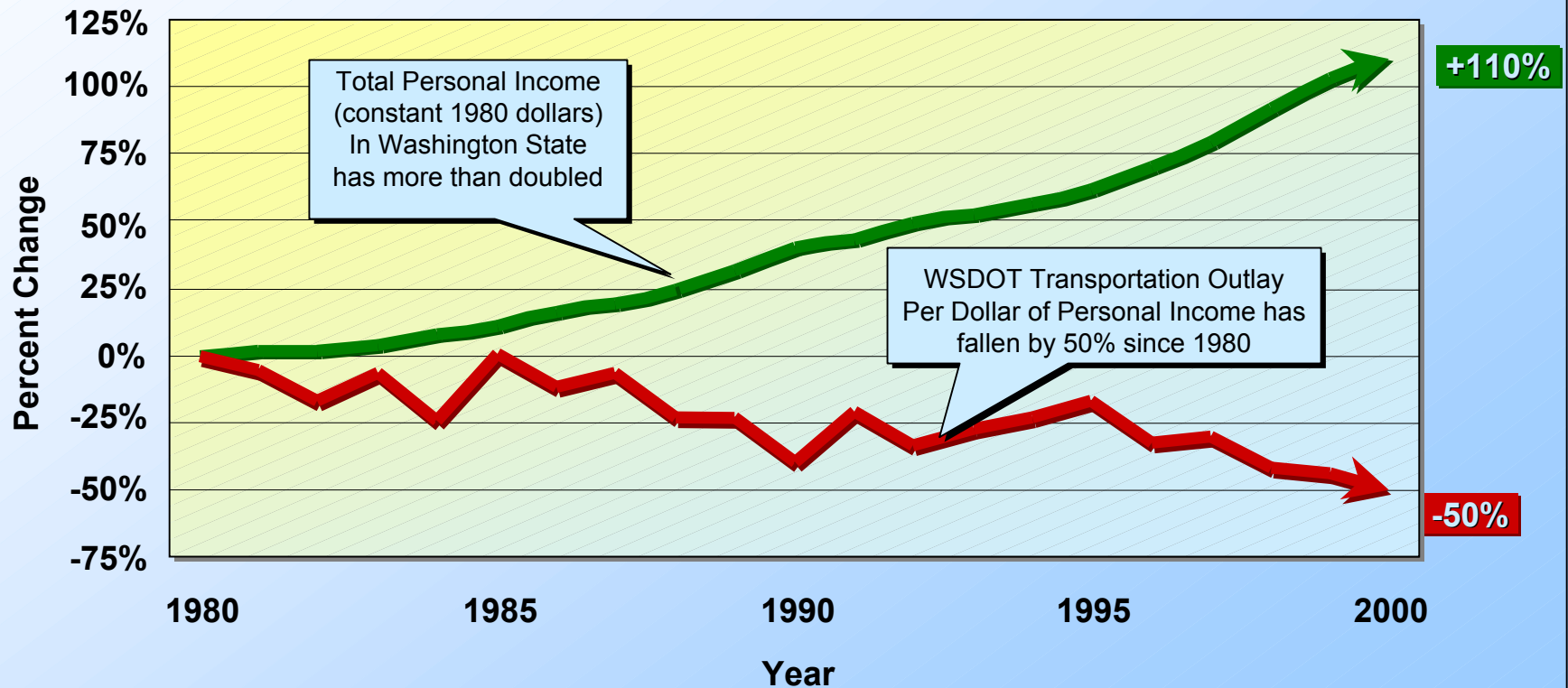


...But the state's capital investment in transportation infrastructure has not kept pace with demand.



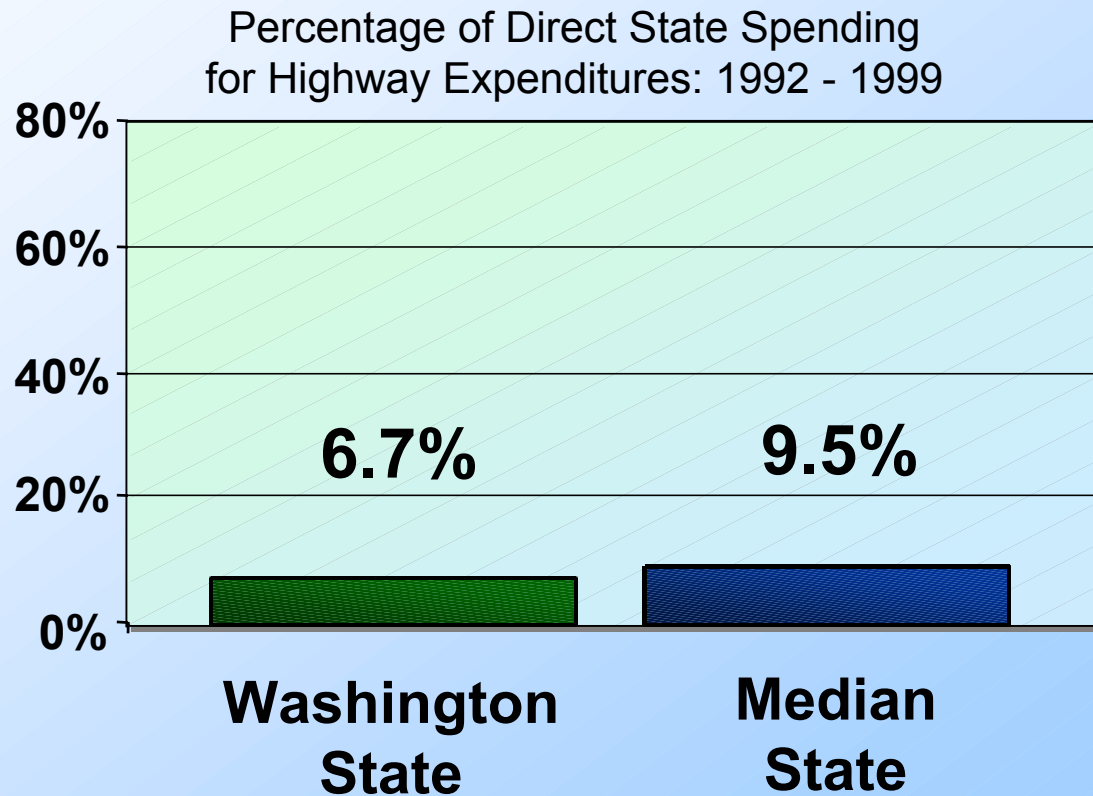
In fact, annual levels of transportation investment have fallen sharply in relation to state total personal income, even as real dollar income has more than doubled.

Transportation Capital Investment Per Dollar of Personal Income



Source: Capital Outlay Expenditures by Washington State Department of Transportation, based on available data, WSDOT, 2001.

From 1992-1998, highway spending in the state budget totaled only 6.7% of direct state spending—40th among the states.

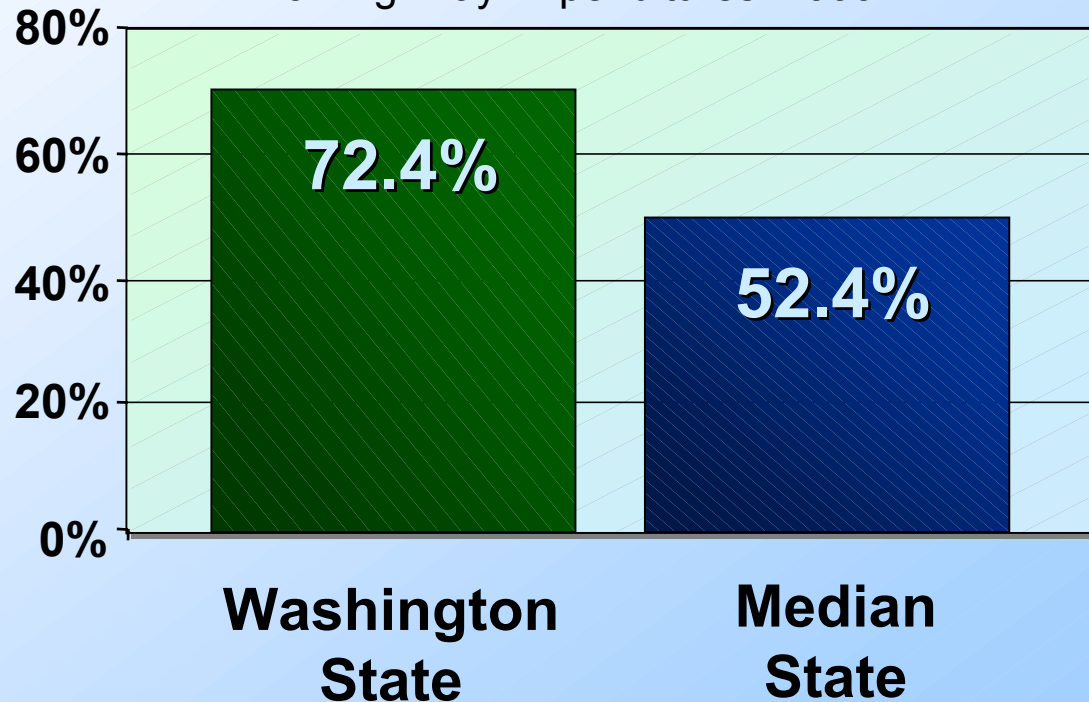


Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1999, State Tax Rates on Motor Fuel 1984-1999.

What about the state gas tax?

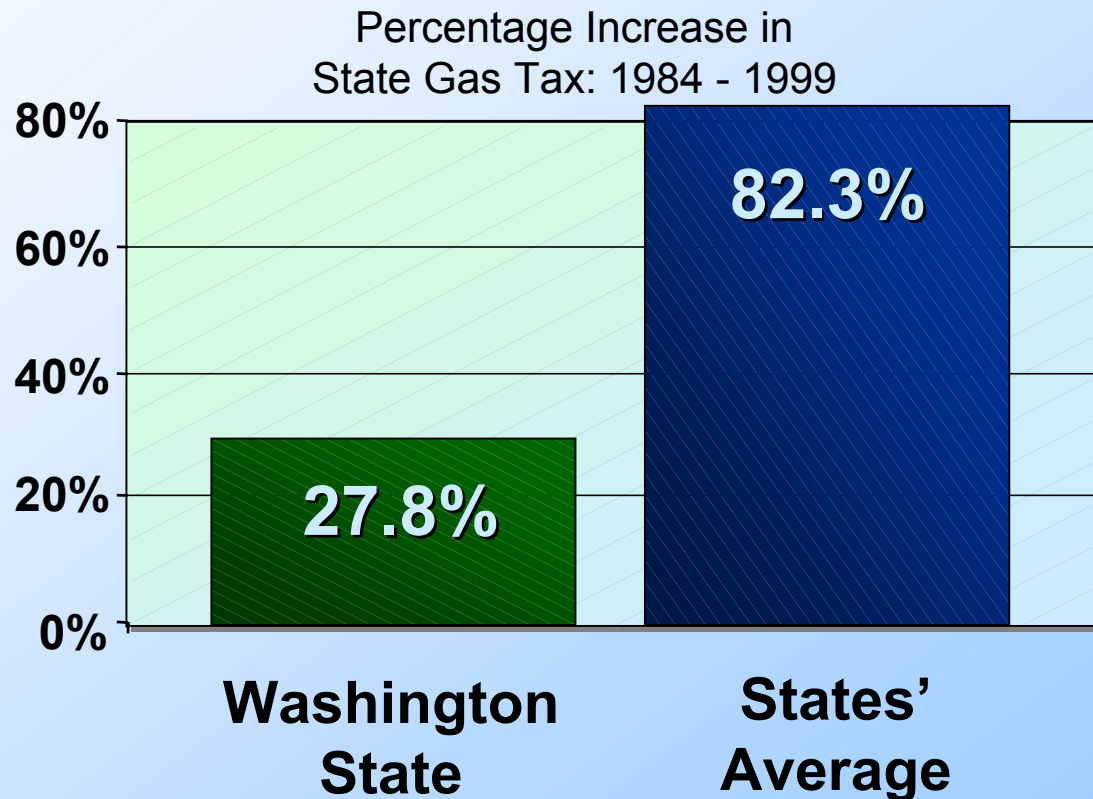
In 1999, Washington's reliance on user taxes to fund highway programs was almost forty percent higher than the national median – second among the states.

Dependence on State Highway User Fees
for Highway Expenditures: 1999



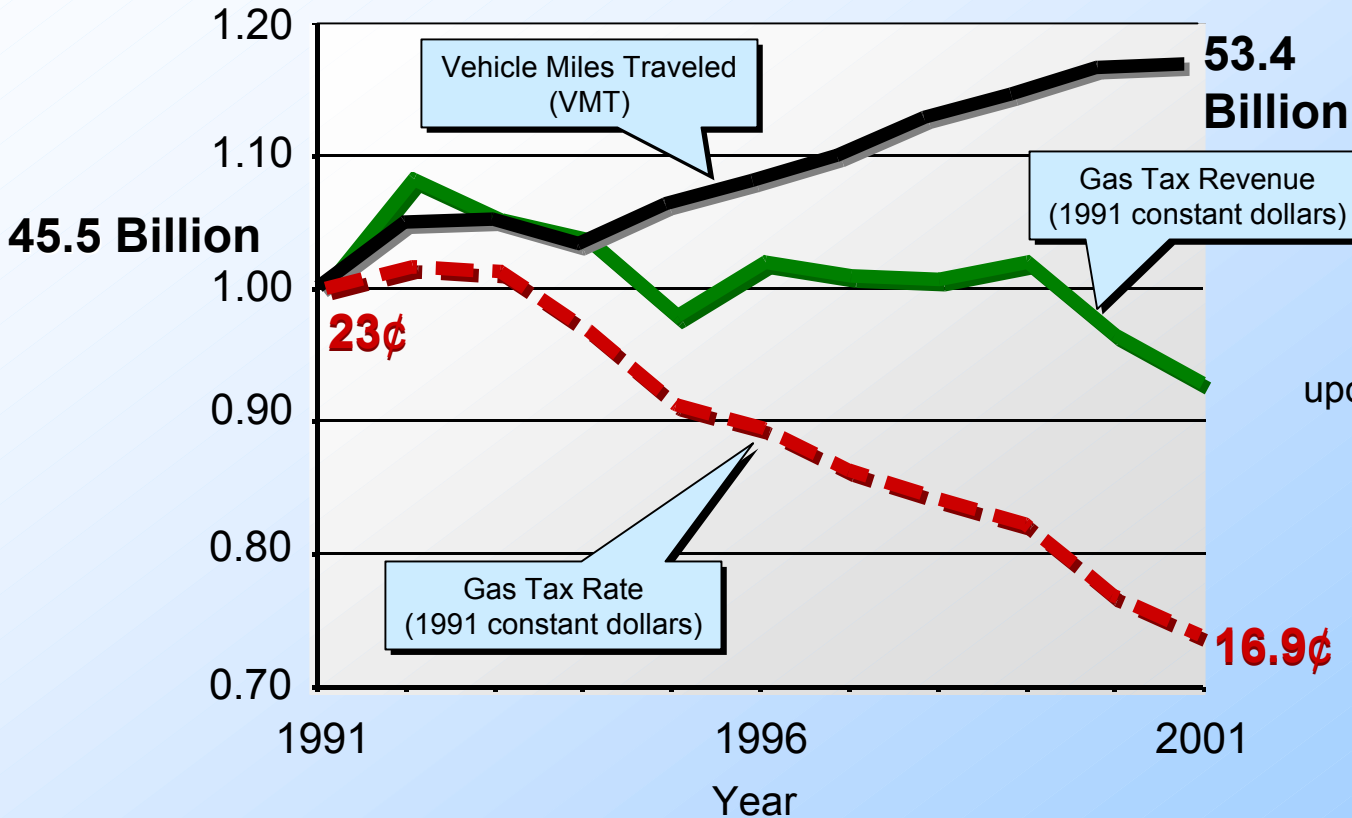
Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1999, State Tax Rates on Motor Fuel 1984-1999.

Yet, Washington abandoned the Motor Vehicle Excise Tax and, since 1984, has raised its gas tax by a smaller percentage than forty-four of the other states.



Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1999, State Tax Rates on Motor Fuel 1984-1999.

Real dollar shrinkage of Washington State gas tax receipts

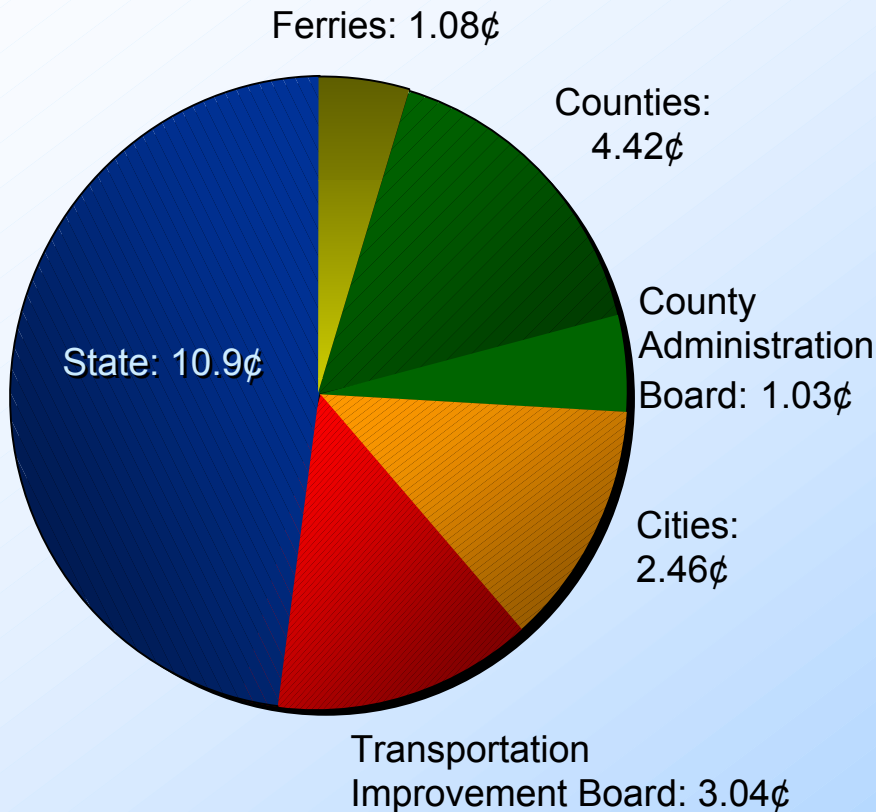


Total cost of driving in Washington State is about 60¢ a mile.

Of that, less than 2¢ per mile contributes to highway costs (based upon a 23¢ per gallon tax).

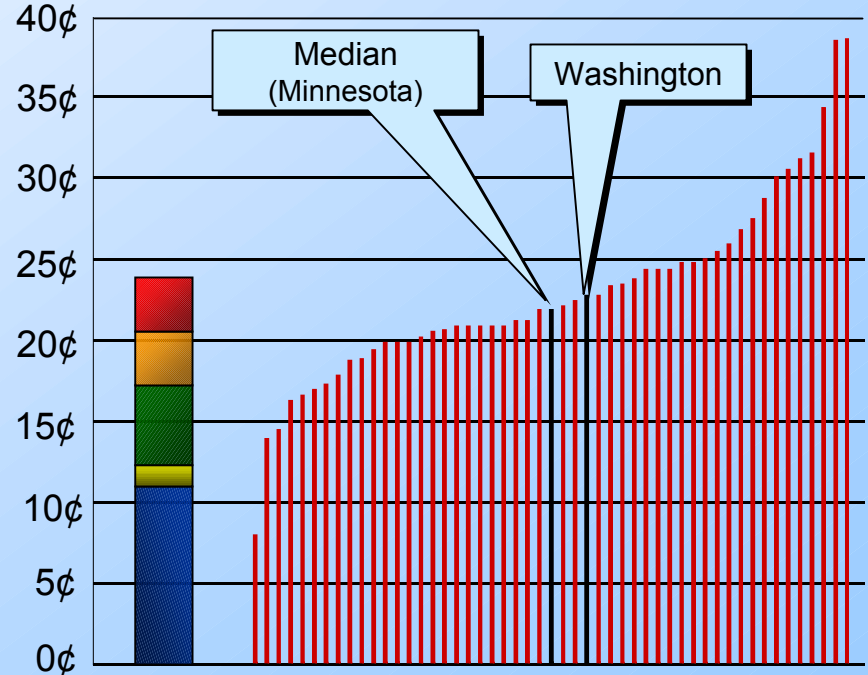
Gas tax revenues and the gas tax rate were converted to 1991 constant dollars using the Federal Highway Administration's composite cost index for federal aid highway construction.

Only 12¢ of the gas tax goes to state programs. Every penny of the entire tax goes to highway purposes.



Washington's gas tax ranks 23rd among the states at 23¢ per gallon. The median gas tax (Minnesota) is 22.09¢ per gallon.

Combined State and Local Fuel Tax Rates, June 30, 2001

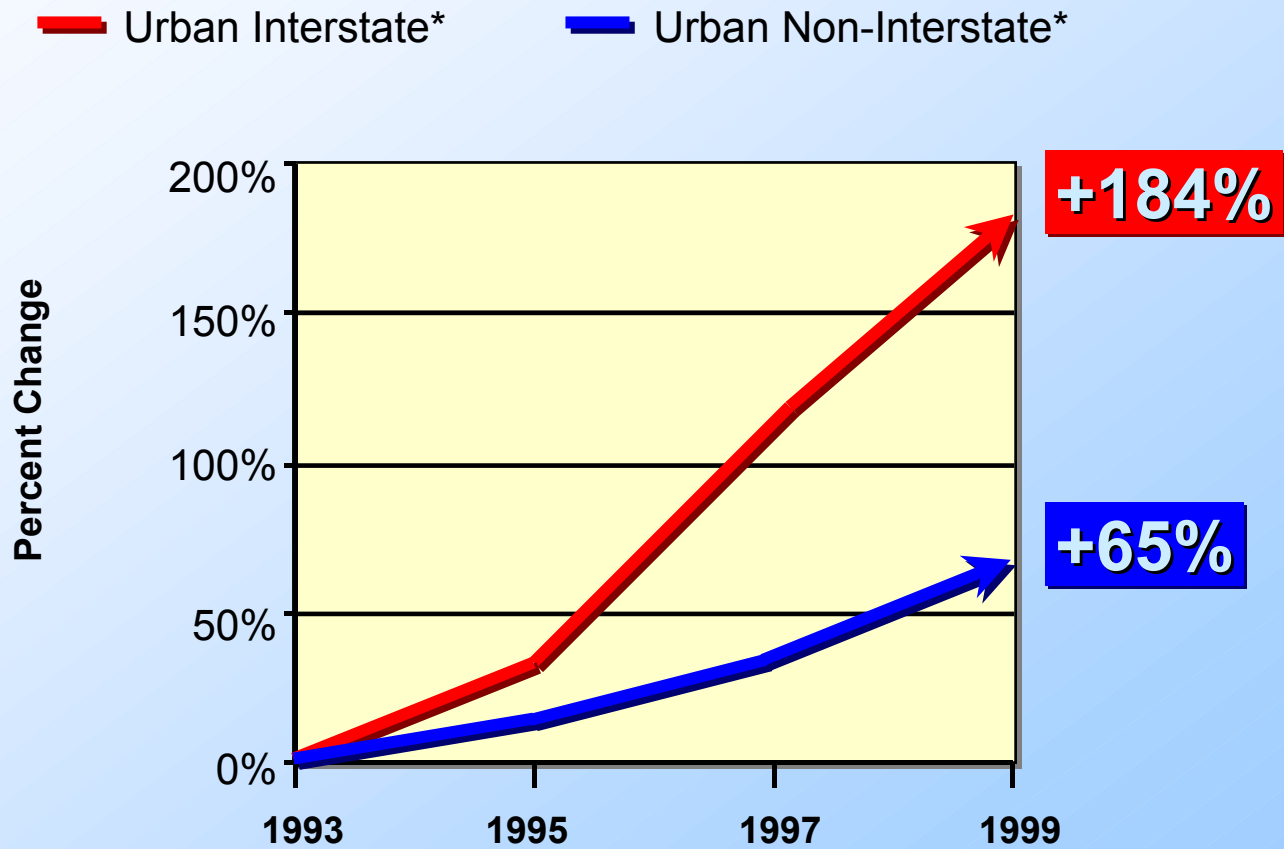


Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1999, State Tax Rates on Motor Fuel 1984-1999.

The day of reckoning for neglect in transportation investment is at hand:

- ◆ Unaddressed highway chokepoints and bottlenecks.
- ◆ Unbuilt safety improvements.
- ◆ Backlogged capacity expansion projects.
- ◆ Aging interstate pavements.
- ◆ Overdue bus and rail transit improvements.
- ◆ Earthquake-vulnerable bridges.
- ◆ Outdated ferries and obsolete terminals.
- ◆ Unmet environmental remediation needs.

◆ With predictable consequences of delay, congestion and tie-ups for users



* Clark, Spokane, Snohomish, Pierce and King Counties

◆ Shippers' delays raise the cost of moving goods and inventories:

- ◆ Growers' meet delays in shipping to ports that threaten international price competitiveness.
- ◆ Manufacturers encounter expensive delays in scheduling parts deliveries.
- ◆ Merchants face higher delivery costs for inventories.



◆ Motorists' inconvenience translates into unproductive hours in traffic, wasted fuel costs and frustration at quality-of-life losses:

- ◆ Among the highest traffic delays in the U.S.
- ◆ Fuel waste and air pollution from stalled traffic.
- ◆ Unpredictable travel times to work, doctors' appointments, and recreation.
- ◆ Lessened appeal for tourist and visitor attractions.

What is to be Done?

- 1.** **Preserve and maintain our \$100 billion transportation infrastructure investment.**
- 2.** **Maximize the efficiency of what we already have through effective traffic operations and management.**
- 3.** **Aggressive statewide investment to meet back-logged and new infrastructure needs.**

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◆ Aggressive statewide investment to address back-logged and new infrastructure needs

- ◆ Highways chokepoint relief for cars, trucks and HOVs.
- ◆ New interchanges, overpasses, and critical new roadway corridor expansion.
- ◆ New park-n-ride lots; vanpool support.
- ◆ Commuter rail, intercity rail, light rail improvements.

continued

- ◆ New ferry terminals, four new car ferries, and passenger-only ferries.
- ◆ Railroad grade separation projects across the state and other port access improvements for rail and truck.
- ◆ Bicycle/pedestrian transportation/safety improvements.

Our Reinvestment Strategy? - *Funding Partnerships*

- ◆ **Referendum 51:** A \$7.7 billion state transportation investment and accountability measure before the voters this November.
- ◆ **Reauthorization of TEA-21:** The \$218 billion, six-year federal surface transportation act.
- ◆ **Regional Participation:** State authorization for Central Puget Sound to accelerate key projects through additional investment.
- ◆ **Requisite User Fees:** Direct user fees, tolls, and other innovative financing.

Referendum 51: 10-year reinvestment plan put to the voters by the State Legislature

State Highways	\$5,441M
City and County Roads	\$446M
Washington State Ferries	\$688M
Rail System Improvements	\$294M
Public Transportation	\$820M
Total	\$7,689M

Referendum 51: Revenues

- ◆ **9¢ Gas Tax – Phased in over two years**
- ◆ **1% Sales Tax on new and used vehicle purchases**
- ◆ **30% Gross Weight Fee for vehicles over 10,000 lbs**
- ◆ **Transfer State Sales Tax on Construction (FY06 -)**
- ◆ **Increased Bonding (\$4.6 billion)**
- ◆ **Goes to Vote of the People, November 2002**



Funds \$7.7 Billion Over 10 Years

Reauthorization of TEA-21: *Transportation Equity Act for the 21st Century* (6 years, \$218 billion, expires 10/03)

- ◆ **Multimodal:** TEA-21 authorizes federal highway, bridge, transit, motor carrier, highway safety, ferry, some rail, and other specific programs.
- ◆ **Guaranteed Funding:** TEA-21 ensures a predictable, minimum level of expenditure from the Highway Trust Fund. The federal match varies, but mostly from 50-80%.
- ◆ **Washington State Priorities:** Emphasize freight mobility, strengthen border/corridor programs, increase ferry \$, fund transport security—but not from transport revenue sources, etc... *See our report at www.governor.wa.gov*

Regional Partnerships

- ◆ **State authorization for metro region** to prepare a regional transportation plan and newly authorized revenues for voter approval.
- ◆ **Some multimodal investments**, but weighted toward roads (i.e. I-5, I-405, Alaskan Way Viaduct)
- ◆ **Vote anticipated next year** on proposal under development that could raise over \$10 billion in 10-years.
- ◆ **R51 funding crucial in the region**, it would be foundation for subsequent regional investments.



User Fees, Other Innovative Financing

- ◆ **Tolls:** An option to *help* fund *new* capacity. Authorized for major regional projects; long history of financing *capital* costs of bridge construction.
- ◆ **Federal GARVEE Bonds:** Use future federal funding as the revenue stream. (TEA-21)
- ◆ **Direct Federal Credit:** Below-market loans, loan guarantees, lines of credit. (TIFIA)
- ◆ **State Infrastructure Banks:** Similar to TIFIA, but for local projects. (Capitalization w/fed. funds offered to four states in TEA-21 pilot.)
- ◆ **Public-Private Initiatives:** Legislature authorized PPI Act in 1993; projects proposed, then cut; New Tacoma Narrows Bridge is the only project to proceed—only after Legislature re-imposed traditional state financing.

Funding Partnerships: *Perhaps a Mode of Desperation, But They Do Work*

- ◆ **Share the financial burden**
- ◆ **Demonstrate commitment** to multiple constituencies, as well as the bond market, federal government, and potential private sector funding partners.
- ◆ **Can make a better case for direct user fees.**
- ◆ **Can spur better transportation planning** because multiple jurisdictions have a vested interest in the outcome.

Funding Partners

- ✓ **Federal**
- ✓ **State**
- ✓ **Regional**
- ✓ **Direct Users**