



JOINT TRANSPORTATION COMMITTEE

P.O. Box 40937 · 3309 Capitol Boulevard · Tumwater, Washington 98501 · (360) 786-7313 · <http://www.leg.wa.gov/jtc>

January 11, 2010

TO: Members of the House and Senate Transportation Committees

SUBJECT: Joint Transportation Committee, Activity Update

The Joint Transportation Committee met ten times in the 2009 interim. Meetings included a day-long tolling workshop in June in Renton, and a November meeting in conjunction with the Washington State Association of Counties annual meeting in SeaTac. In addition, the committee sponsored a December tour of the M/V Chetzemoka, the 64-car ferry vessel under construction at Todd Shipyards.

Three major studies mandated in the 2009-11 Transportation Budget were contracted for and completed. A fourth contract was issued regarding ferry issues, part of which has been completed, and part of which is ongoing. Summaries of the following are attached:

- Toll operations costs expert review panel (p. 3)
- Implementation strategies for alternative transportation funding methods (p. 5)
- Analysis of methodologies to value the I-90 center lanes to be used for high capacity transit (p. 8)
- Ferry reservations, monitoring implementation of 2006-09 study recommendations, and legislative staff support (p. 10)

The JTC received state agency reports on several topics, including

- An update of the Washington Transportation Plan (November 18)
- Consolidation of licensing service offices (Dept. of Licensing) (December 2)
- WSDOT's surplus property plan (December 2)
- Washington State Ferries reservation system pre-design (January 5) WSDOT operational efficiencies directed in the 2009 legislative budget (January 5)

Members have also received reports on the Hood Canal Bridge project, the opening of Link Light Rail between downtown Seattle and Tukwila, the issuance of enhanced drivers licenses, the ferry system's final long-range plan, the new ferry fare schedule, a multimodal concurrency pilot project, and the Puget Sound Regional Council's 2040 regional transportation plan.

In January, 2010, the JTC executive committee formally adopted a personnel policy manual for the JTC, the first since the committee's inception in 2005.

Thanks to the twenty-six members of the House and Senate who have participated in one or more JTC meetings 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 feel free to contact the JTC staff:

- Mary Fleckenstein, Committee Coordinator, 360-786-7312, fleckenstein.mary@leg.wa.gov
- Gene Baxstrom, Senior Policy Analyst, 360-785-7398, baxstrom.gene@leg.wa.gov
- Paul Neal, Senior Counsel, 360-786-7327, neal.paul@leg.wa.gov
- Sonia Plasencia, Accountant/Committee Assistant, 360-786-7329, plasencia.sonia@leg.wa.gov



Representative Judy Clibborn
Co-Chair



Senator Mary Margaret Haugen
Co-Chair



Representative Dan Roach



Senator Dan Swecker

Enclosures:JTC Studies

Summaries of 2009 Joint Transportation Committee Studies

January 11, 2010

Toll Operations Costs Expert Review Panel

The JTC contracted with AECOM to form an expert review panel (ERP) to review costs and strategies for electronic toll collection (ETC) in Washington. The ERP focused on transaction processing costs, operations and customer service, technology, toll enforcement and WSDOT administration. The ERP placed special emphasis on the two SR 520 RFPs that had been issued on June 15, 2009: the roadside toll collection system (TCS) and the customer service center (CSC) integration for the early tolling of the existing SR 520 bridge. The ERP provided significant recommendations to WSDOT on changes to the RFPs to create a more competitive procurement process, and to reduce the overall project cost and risk to the state.

KEY FINDINGS

The ERP identified several factors in the RFPs that would likely lead to increased cost and risk for the state, high bids, a limited number of vendors submitting bids, and a more expensive and potentially unsuccessful contracting environment. These included:

- Blanket distribution of transponders
- Too great a reliance on post-pay toll enforcement rather than pre-paid accounts
- Incomplete business rules
- An extremely aggressive schedule for the statewide CSC

THE ERP RECOMMENDED

- Reserving transponders for frequent customers
- Developing a more complete set of business rules to accommodate the infrequent traveler
- Tolling infrequent customers with video technology (taking a picture of their license plate) and encouraging them to sign up for pre-paid or pre-registered license-plate accounts.
- Implementing a two-phase CSC, first just focusing on SR 520, and later adding all toll collections, including the TNB and SR 167 HOT lane tolls. This would give the vendor time to develop and test the business rules for all toll applications without slowing early tolling on SR 520.

WSDOT'S RESPONSE

- WSDOT amended the RFPs and business rules to highlight pre-paid video accounts; and agreed to focus transponders on the frequent customer.
- WSDOT found the two-phase CSC unworkable, concerned that it would not fully account for all revenue and thereby harm public credibility. As an alternative, they moved the tolling start date from

October, 2010 to June, 2011, and provided incentives to the vendor to begin tolling earlier than June, 2011. (NOTE: On November 18th, WSDOT further amended the RFP and established March, 2011 as the required tolling start-date.)

- WSDOT issued several addenda to the RFPs and issued a greatly expanded set of business rules, which do much to clarify system requirements for the vendor community.

ERP CONCLUSIONS

- WSDOT's original solution to the two-phase CSC recommendation was effective.
- The shift to fewer transponders and more pre-paid video accounts was effective.
- Their partnership with WSDOT resulted in procurement documents that would provide the state with an efficient, state-of-the-art toll collection system.
- The enacted changes would result in a more competitive bid environment, less risk to the state, a more efficient tolling system both operationally and for the customer, and ultimately a stronger, more efficient and less costly tolling program for the entire state.

Study origin:	2009 Transportation Budget, ESSB 5352, Sec. 204(2)
Report:	Final report adopted December 2, 2009
Appropriation:	\$200,000
Expenditure:	\$187,000 through November 30 th ; final billing expected in January.
Project Manager:	Mary Fleckenstein (360)786-7312
HTC Staff:	Christie Parker (360)786-7322
STC Staff:	Hayley Gamble (360)786-7452

Postscript

Customer Service Center (CSC). On December 23, WSDOT awarded a contract to Electronic Transaction Consultants (ETC) to operate its statewide customer service center for toll operations. ETC will provide customer service for the Good To Go! electronic tolling program, as well as payment processing, violation collections, and business management to meet WSDOT's current and future toll operation needs. ETC will take over operation of customer service activities for the Tacoma Narrows Bridge and SR 167 HOT lanes, and will launch all-electronic tolling on the SR 520 bridge beginning in Spring, 2011. The contract is for approximately \$23 million over a five-year period.

Toll Collection System (TSC). On November 13th, WSDOT notified Telvent Caseta that they were the apparently selected bidder on the TSC RFP. On November 30, another bidder – Transcore – filed a protest, arguing that WSDOT failed to follow RCW 39.04.350, which requires any bidder on a public works contract to have a certificate of registration with the Department of Labor and Industries. WSDOT subsequently cancelled the RFP, and is evaluating options for moving forward. They have said the decision to cancel the RFP will not have a detrimental impact on project schedule or inhibit WSDOT's ability to successfully begin tolling SR 520 in Spring, 2011.

Implementation Strategies for Alternative Transportation Funding Methods

The 2009-11 Transportation Budget directed the JTC to conduct a comprehensive analysis of mid-term and long-term transportation funding mechanisms and methods. The study analyzes the feasibility and practicality of implementing funding methodologies identified in the JTC's 2007 *Long-Term Transportation Financing Study*, as well as other methods identified by the committee, staff, and consultants. The **principle objective** of the study was to identify specific steps for the legislature and agencies to begin implementing viable mid-term and long-term transportation funding approaches.

The Transportation Budget also called for recommended planning level alternative funding strategies to be completed by December 31, 2010. That study element was not funded, and was not a part of this study contract.

TRENDS AFFECTING STATE TRANSPORTATION FUNDING METHODS

The review of current policies and developments in energy, climate change, congestion, and federal policy identified the following trends:

Fuel consumption and fuel tax revenue are declining. The November 2009 motor fuel tax forecast is \$1.6 billion lower over the 16-year plan period (2009 – 25) than was forecast in 2007. Annual motor fuel consumption per capita has declined since FY 1999 and in FY 2009, total consumption declined over the previous year. New CAFE standards mandating improved new vehicle fuel economy may further accelerate the erosion of fuel tax revenues.

Climate change VMT reductions further reduce fuel tax revenue. Current state climate change-related laws establish benchmarks for reducing daily VMT per capita. The Governor ordered those benchmarks reviewed to determine whether, with the advent of electric cars and other low emission vehicles, VMT is a reasonable proxy for the transportation system's contribution to greenhouse gas emissions. Until this review is completed, attainment of the VMT benchmarks should not be assumed.

Pricing strategies can address congestion. The state has begun to use pricing strategies to reduce congestion (SR 167 HOT lanes, proposed SR 520 toll rates). The state's medium- and long-term funding methods should include methods that can be selectively applied in urban areas to address congestion.

Federal funding policy in flux. At the federal level, the current administration is not expected to propose a long-term transportation funding method for 18 months. Although three federal commissions have endorsed use-based fees to replace the federal fuel tax, in particular a vehicle miles traveled fee, the administration has indicated that it will not consider such a fee. State decisions on long-term funding methods should not assume changes in current federal funding methods until the administration or Congress develops a new policy.

STUDY FINDINGS

State Transportation Funding

1. *The state is dependent on revenues that do not grow with inflation.* Eighty percent (80%) of the state's direct transportation revenues, which excludes federal and bond revenues, are from fuel taxes and licenses, permits, fees which have flat rates that do not grow with inflation.
2. *Legislative action is required to set rates.* With the exception of tolls and ferry fares, transportation tax and fee rates are set by state law and changes require legislative action.
3. *The use of funds is restricted by the 18th amendment and legislative action.* The 18th amendment restricts the use of fuel taxes and vehicle registration fees to highway purposes and the legislature has imposed additional restrictions on the use of most transportation revenues.

Vehicle Owner Impact

4. *Under current law vehicle owners will pay substantially less in 2025 than they do in 2009.* With higher fuel efficiency and the flat rates of the fuel tax, licenses and permits, most vehicle owners will pay 9 to 14 percent less in taxes in 2025. When adjusted for inflation, vehicle owners will pay 37 to 46 percent less.
5. *The reduction in vehicle owner payments has a \$10 billion effect on transportation revenues.* If taxes and fees were adjusted to maintain purchasing power, revenues would increase by approximately \$10 billion over the 16-year plan.
6. *The differential in state taxes and fees paid by different types of passenger vehicle owners is substantial.* For example, electric car owners pay 82 percent less than SUV owners in transportation fees and taxes.

STATE FUNDING METHODS EVALUATED

The study examined six broad transportation funding methods, all having a nexus with transportation activities. They included taxes and fees associated with motor vehicle fuel, motor vehicles, vehicle drivers, transportation facility use, transportation businesses, and transportation system access.

The consultant, in cooperation with the JTC and a staff working group, developed criteria for evaluating alternative funding methods and identified implementation strategies for the most feasible funding methodologies. These criteria included public benefits, the extent to which benefits were linked to system users, payer equity, the application of the mechanism for local revenues, and revenue yield. This effort included developing revenue projections, and assessing the impact of alternative funding methods on the owners of a range of vehicle types. The consultant also developed a "risk scenario" which assumed a more rapid change of vehicle fleet to higher-mileage vehicles, further reducing fuel tax revenues.

Numerous funding options were considered but not recommended. A vehicle miles traveled charge was both technically challenging and difficult to enforce, pending a national or regional program to address certain issues. Application of a sales tax on vehicle parts and a fee on vehicle policies were complicated by interstate tax issues.

SUMMARY OF RECOMMENDED TRANSPORTATION FUNDING METHODS

The study identified alternative funding methods for consideration by the legislature. The estimated revenues associated with each action is for the 16-year transportation plan period, from 2009-2025.

Implementation Recommendations	Medium Term (5 years) State Funding Actions	Longer Term (16 year plan) State Funding Actions*	Local Government Funding Actions
1. Fund DOL computer system upgrade & consider building upgrade costs into the fee structure.	1. Comprehensively increase fees to 2012 purchasing power & index them to CPI. \$3.8 B	8. Increase weight fees. \$3.8 B	1. Increase state grant programs.
2. Explore costs & benefits of allowing periodic, rather than lump sum vehicle fee payments.	2. Index the fuel tax to the CPI and increase the rate annually or add a special assessment fee. \$3.9B-\$6.6B	9. Add tire fee. \$133 M	2. Authorize cities to create street maintenance utilities.
3. If indexing fees & taxes, set base and use CPI for an annual change, rounded to nearest dollar.	3. Adopt in-lieu-of fees for electric and other high mileage vehicles. Up to \$271 M	10. Increase additional sales & use tax on motor vehicle sales. \$400 M	3. Amend how Trans. Benefit Districts can impose license fees.
4. Review existing license, fee, permits, and abstract rates.	4. Extend tolling applications \$ TBD	11. Allow use of toll revenues/ferry fares for transit. \$ TBD	4. Amend how locals can impose an additional fuel tax.
	5. Secure WSF capital funding through a capital surcharge, Capron refunds & distributing license fees to capital acct. \$200M/\$50M/\$TBD		5. Transfer RTID taxing authority to transit.
	6. Review Amtrak Cascades farebox recovery & potential capital surcharge. \$30 M		6. Authorize local option MVET for transit.
	7. Revise WSDOT Access Management Program. \$ TBD		7. Allow local option vehicle license fee for transit.

*VMT fee could be considered if there is federal or multi-state action.

\$ TBD= Revenues to be determined (based on extent of use and rate)

Study origin:	2009 Transportation Budget, ESSB 5352, Sec. 204(1).
Report:	Final report adopted January 5, 2010
Appropriation:	\$236,000,
Expenditure:	\$220,411 expended through Dec. 31, 2009
Project Manager:	Gene Baxstrom (360) 786-7398
HTC Staff:	Jerry Long (360) 786-7306, Mark Matteson (360) 786-7145
STC Staff:	Amanda Cecil (360) 786-7429, David Ward (360) 786-7341

Analysis of Methodologies to Value the I-90 Center Lanes

The Sound Transit East Link rail project approved by Sound Transit Proposition 1 includes extending light rail from Seattle to the east side of Lake Washington via the I-90 bridge. This requires converting the two reversible center lanes of the I-90 bridge to rail and adding two new vehicle lanes. Transferring the use of the center lanes from WSDOT to Sound Transit requires payment of consideration, according to the 18th amendment of the Washington State Constitution. The 2009-11 Transportation budget appropriated \$300,000 to JTC to fund a study of methods for valuing the lanes to facilitate transfer. The study was conducted by Sound Transit and WSDOT. The budget also directed WSDOT and Sound Transit to use the results of this study to negotiate the payment required for use of the center lanes.

JTC, WSDOT, and Sound Transit selected a consultant team, which included Seattle attorneys Alan Merkle and Stephen DiJulio, to analyze legal requirements or restrictions on the valuation process and to evaluate different valuation methodologies. JTC agreed to consider funding the resulting valuations, depending upon the outcome of the analysis.

CONSULTANT RECOMMENDATIONS

The consultant team issued a final report on January 4, 2010. Key findings include:

- The 18th amendment to Washington’s Constitution requires that motor vehicle fund moneys be used exclusively for highway purposes, which does not include transit. To the extent that the I-90 bridge was constructed with state motor vehicle fund money, transfer of a portion of the bridge to exclusive transit use requires reimbursement of the motor vehicle fund.
- The Bridge was built with approximately 90% federal funds and 10% state funds.
 - Based on input from the Federal Department of Transportation, the consultants concluded that federal law neither requires nor prohibits charging Sound Transit a fee for exclusive use of the I-90 center lanes.
 - The consultant’s valuation methodology focuses on recouping 25% of the state’s contribution to the I-90 bridge (2 out of 8 lanes), stating there are no “damages” to the remainder of the corridor segment from conversion of the center lanes to light rail.
- The consultant team did not recommend a value for the center lanes, but rather the methodology for establishing the value. The team recommended using three different recognized appraisal methodologies and arriving at a final valuation by reconciling the results of the three methods. Those methods are:
 - Effect of projected increase or reduction of throughput to income of state and local transportation systems;
 - “Across the fence” methodology of comparable per square foot land values of single family residential property on the east and west sides of Mercer Island; and
 - Cost of state expenditures on bridge inflated by the construction cost index and reduced by a depreciation factor.

VALUATION METHODOLOGY

The principals (Sound Transit and WSDOT) had differing views of the consultant's recommendations and decided to provide two sets of valuation instructions: one from Sound Transit and one from WSDOT. Sound Transit's appraisal instructions followed the consultant's recommendation to limit the appraisal to recoupment of state motor vehicle fund investment, while WSDOT's instructions asked for a fee simple, rather than proportional, valuation. The appraisers included in the consultant team performed a valuation using each set of instructions, and provided those valuations to the principals.

VALUATION NEGOTIATIONS

The two valuations completed by the appraisers provide a starting point for WSDOT and Sound Transit to negotiate an agreed value for the conversion of the reversible lanes to high capacity transit. The Transportation Budget directed those negotiations to be completed by December 1, 2009. While negotiations on related matters continue between the parties, the negotiation of price and a lease are on hold pending the resolution of litigation. That litigation, *Freeman et. al. v. Gregoire*, currently pending before the State Supreme Court, challenges the constitutionality of converting the I-90 center lanes to the exclusive use of light rail.

Study origin:	2009 Transportation Budget, ESSB 5352, Sec. 204(3).
Report:	Finalized January 4, 2010.
Appropriation:	\$300,000
Expenditure:	\$250,000
Project Manager:	Paul Neal (360) 786-7327
STC Staff:	Amanda Cecil (360) 786-7429; Haley Gamble (360) 786-7452
HTC Staff:	Christie Parker (360) 786-7322

Ferry Reservations, Monitoring the Implementation of the 2006-09 Study Recommendations, and Legislative Staff Support

From 2006 through 2009, the JTC conducted an extensive review of the Washington State Ferry (WSF) system and its financing. That review produced a number of recommendations, some of which were adopted in statute. The 2009-11 Transportation budget directed the JTC to monitor implementation of those recommendations and directions. To that end, the JTC contracted with Cedar River Group (CRG) to:

- Work with and monitor WSF's progress as it develops the reservation system pre-design report required by ESSB 5352, Section 309 (10).
- Provide quarterly reports on WSF's implementation of legislative direction and study recommendations;
- Provide assistance to the Senate and House Transportation Committees on ferry issues as needed; and
- Provide assistance to the Joint Legislative Audit and Review Committee (JLARC) evaluation of DOT capital projects required by the 2009-11 transportation budget (ESSB 5352 §108(2)).

ACTIVITIES & REPORTS

WSF presented its predesign report on a reservation system to the JTC on January 5, 2010. The ferry system recommended phasing in the newly designed reservation system beginning with the runs that already accept reservations (Pt. Townsend – Keystone; San Juan Islands freight). CRG provided its review of the proposal at the same meeting, generally agreeing the approach was sound with some recommended modifications.

CRG's quarterly updates of HTC, STC, and JTC staff indicate that WSF is implementing legislative direction and study recommendations in a timely manner. The update covering 4th quarter 2009 is due in early February.

The JTC sponsored a December 8th tour of the new 64-car ferry M/V Chetzemoka under construction at Todd Shipyards. The construction is on time and on budget with delivery expected in June of 2010. The new ferry is scheduled to begin service on the Pt. Townsend – Keystone run in September, 2010.

JLARC used the services of CRG consulting engineer Bob Collier as a technical advisor in their study of WSDOT's scoping and cost estimating for highway construction projects. This study grew out of CRG and Collier's work identifying substantial savings on ferry capital projects. Collier confirmed JLARC's research on industry guidelines, assisted with developing research questions, and provided feedback on the final report.

Study origin:	2009-11 Transportation Budget Agency Detail, Report, p. 39.
Report:	Reservation Proposal Delivered December 15, 2009
Appropriation:	\$200,000
Expenditures to Date:	\$71,000
Project Manager:	Paul Neal (360) 786-7327
STC Staff:	Janice Baumgardt (360) 786-7319
HTC Staff:	Debbie Driver (360) 786-7143