

HOUSE BILL REPORT

ESHB 1978

As Passed House:

March 4, 2009

Title: An act relating to economic stimulus transportation funding and appropriations.

Brief Description: Concerning economic stimulus transportation funding and appropriations.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Clibborn, Liias and White; by request of Office of Financial Management).

Brief History:

Committee Activity:

Transportation: 2/24/09, 2/27/09 [DPS].

Floor Activity

Passed House: 3/4/09, 67-28.

Brief Summary of Engrossed Substitute Bill

- Provides authority to the Washington State Department of Transportation to spend up to \$341.4 million in federal funding provided through the federal American Recovery and Reinvestment Act (ARRA) signed on February 17, 2009.
- Updates the \$7.4 billion 2007-2009 Transportation Budget, reducing current spending by over \$600 million while adding ARRA authority of \$341 million, to a final biennial level of \$7.1 billion.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Clibborn, Chair; Liias, Vice Chair; Rodne, Assistant Ranking Minority Member; Campbell, Dickerson, Driscoll, Eddy, Finn, Flannigan, Herrera, Johnson, Moeller, Morris, Sells, Springer, Takko, Upthegrove, Wallace and Wood.

Minority Report: Do not pass. Signed by 8 members: Representatives Roach, Ranking Minority Member; Armstrong, Cox, Ericksen, Klippert, Rolfes, Simpson and Williams.

Staff: Joseph Archuleta (786-7192)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

2007-09 Transportation Budget.

The operating and capital expenses of state transportation agencies and programs are funded on a biennial basis by an omnibus Transportation Budget adopted by the Legislature in odd-numbered years. Additionally, supplemental budgets may be adopted during the biennium making various modifications to agency appropriations. The Transportation Budget (Budget) provides appropriations to the major transportation agencies including: the Washington State Department of Transportation (WSDOT), the Washington State Patrol, the Department of Licensing, the Washington Traffic Safety Commission, the Transportation Improvement Board, the County Road Administration Board, and the Freight Mobility Strategic Investment Board. The Budget also provides appropriations out of transportation funds to many smaller agencies with transportation functions.

Since the 2008 Supplemental Budget was adopted in March 2008, transportation revenues to fund activities in the current biennium have declined by about \$130 million, according to official forecasts. In anticipation of decreasing transportation revenues and increasing project materials and labor costs at the beginning of the 2008 construction season, the WSDOT decelerated the implementation of its construction program, reducing plans for capital expenditures by about \$450 million. As a result, and due to difficult credit markets, \$360 million in capital bond issuances were postponed.

The Transportation 2003 (Nickel) Act was passed in 2003, increasing the fuel tax rate by 5 cents. A bond bill was also enacted, supporting a \$4.2 billion program of projects over the course of 10 years and underwritten by Nickel Act revenues. In 2005 the Legislature enacted the Transportation Partnership Act (TPA) providing an increase in the motor vehicle fuel tax rate of 9.5 cents, phased in over several years. Like the Nickel package, the TPA was enacted along with a bond bill that allowed for the early spending of \$8.5 billion in capital projects over 16 years.

American Recovery and Reinvestment Act of 2009.

On February 17, 2009, Congress enacted the American Recovery and Reinvestment Act of 2009 (ARRA), providing \$787 billion in spending and tax cuts nationwide. The bill includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector. Of the total, \$27 billion is provided nationally for surface transportation infrastructure. It is expected that Washington will receive about \$492 million of these funds, of which \$151 million would be distributed to local governments, metropolitan planning organizations, and other local transportation entities, and \$341 million would be distributed to the state. In addition to the surface transportation grants, the ARRA includes several national discretionary programs to be administered by federal agencies, including an \$8 billion high-speed rail program; a \$1.5 billion national surface transportation program; a \$1.3 billion program for capital grants to Amtrak; and a \$60 million ferry grants program.

Funding under the ARRA may be distributed to states after the federal implementing agencies enact rules promulgating obligation authority and apportioning the funds to the states. Obligation authority allows agencies such as the Federal Highway Administration (FHWA) to reimburse states for expenditures on federally-eligible transportation projects.

Summary of Engrossed Substitute Bill:

2009 Supplemental Budget.

The 2007-09 biennial transportation budget is amended to reflect a deceleration in capital spending as well as unexpected end-of-biennium expenses. Appropriations levels are decreased across a broad array of programs, reducing net spending by about \$625 million, excluding consideration of the ARRA funds. Additional spending authority is included for several unanticipated events, including maintenance and preservation costs sustained following severe floods and winter storms and significant increases in fuel costs at the beginning of Fiscal Year 2009. The supplemental changes also acknowledge the change in the economic climate since the summer of 2008, with several programs' and agencies' appropriations decreased as a result of hiring freezes and/or efficiency savings.

In addition to other supplemental changes, a few legislative priorities are advanced in the 2009 supplemental budget. Within the current spending levels, the Joint Transportation Committee must begin a comprehensive analysis of mid-term and long-term transportation funding mechanisms and methods, due at the end of calendar year 2009, and the Department of Licensing (DOL) must begin evaluating the potential transfer of fuel tax administration from DOL to the Department of Revenue, with a report due in November 2009. Additional funding authority of \$190,000 is provided to the DOT for the purpose of rehabilitating the SR 532/84th Avenue NW bridge deck.

Implementation of the American Recovery and Reinvestment Act of 2009.

The bill provides spending authority for up to \$341 million in federal funding from the ARRA. The authority is granted to the WSDOT for a number of improvement, preservation, and traffic operations projects. The WSDOT is directed to obligate half of the funds within 120 days of when the FHWA apportions the ARRA funding to the states. The WSDOT must obligate all funds within one year of apportionment. The funds must be spent on a list of projects identified in a separate document. The projects on the list are prioritized into two tiers; the top tier projects would receive funding according to the allocation shown on the list. Within each tier, the priority is to allocate funds to Nickel or TPA projects that have otherwise been proposed to be delayed due to funding or other constraints. Other projects would then be prioritized according to how soon the project contract could be let.

The WSDOT is given authority to reallocate funding as necessary to facilitate completion of projects on the list with the highest priority, or to maintain maximum eligibility for federal funding. The WSDOT is required to report to the Legislature and the Office of Financial Management (OFM) on the status and funding of the projects on June 30, August 31, and December 1, 2009.

If the state receives additional federal ARRA funding after the funds are initially apportioned, the WSDOT must allocate funds to the projects on the list according to the legislative priorities in the bill. If more funds are received than are anticipated by the allocations shown in the list, the WSDOT is required to allocate funds to capital projects that are adopted as part of the 2009-11 omnibus transportation budget.

The WSDOT is directed to apply to the competitive grant programs created in the ARRA to the extent practicable and for all modes and transportation-related activities for which funding grants are made available.

The WSDOT must convene a local oversight and accountability panel for the purpose of distributing the ARRA funds to local jurisdictions outside of transportation management areas. The panel must include representatives from the Washington State Association of Counties, Association of Washington Cities, the Washington Public Ports Association, and the Transportation Improvement Board. The panel is directed to ensure rapid project delivery and the WSDOT must ensure that the state obligates funds in a timely manner.

Appropriation: \$7,114,342,000 is appropriated from various accounts.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This includes the federal stimulus funds for the state. Local projects are on lists elsewhere, not considered in these funds. We have to remember that, while this funding will help, we already have plans in place to spend almost 10 times as much on capital projects in the 2009-11 biennium. This list was picked for speed, in order to create jobs quickly. It is one step in a very big construction program.

The original bill requested by the Governor was smaller in scope. The current version has the same goal: jumpstart the state economy using road projects that are ready to go. As soon as the Governor was aware of the amount and availability of the federal dollars, she believed she could move forward with this.

The construction industry supports the early passage of this legislation. Please take action soon. As you note, this may create about 5,000 jobs. Last July, about 270,000 persons were employed in the construction industry, and since that time we have lost about 25,000 jobs. Asphalt and concrete jobs are family wage jobs.

The Washington State Department of Transportation supports this bill. It takes care of pressing needs in several areas, with emphasis on preservation of our system. The list that this was obtained from was about \$800 million in needs, but the total need is closer to \$8 billion.

(With concerns) It is very disappointing that the Mercer Corridor project did not make the list. The project is shovel-ready. It will create 575 direct construction jobs. It does not supplant existing state funds. It is a project of regional significance for freight, commuters, and visitors to the Seattle Center. Please reconsider adding this project to the list of funded projects.

The Port of Seattle has a great interest in the stimulus spending. Please consider the importance of freight movement to the region. We had hoped to see spending on port priorities such as the Spokane Street viaduct, the Mercer Corridor, and East Marginal Way in Seattle.

The Mercer Corridor and Spokane viaduct are critical components of the east-west distribution systems. A two-way Mercer Corridor will have direct benefit to both Interstate 5 (I-5) and State Route 99. An enhanced I-5 off ramp at Mercer will greatly facilitate traffic mitigation on I-5.

We need choices that invest in the economy, fixing the transportation system while at the same time helping the environment. In general, we support the projects on the list. We have a concern about how the 3 percent enhancement funds would be used; we would like to see them used for transit. We urge the Legislature to develop a transparent and accountable process for the use of these funds.

This list would be enhanced if three other criteria were kept in mind. First, which projects have statewide significance, irrespective of jurisdictional ownership? One example is the Lincoln Avenue grade separation in Pierce County - even though this is a local project, the statewide freight-related benefits are plenty. Second, the impact on long-term jobs is just as important as construction-related jobs. Lastly, use the funding to leverage projects in which there has already been extensive work done but that need just a bit of funding to get them over the hump.

(Opposed) We need better options that support transit. Interstate 5 needs dedicated high occupancy vehicle lanes. The state needs to apply for a piece of the high speed rail national discretionary funding.

Persons Testifying: (In support) Representative Clibborn, prime sponsor; Victor Moore, Office of Financial Management; Marty Brown, Governor's Office; Duke Schuab, Associated General Contractors and Masonry Contractors Conference Washington; David Dye, Washington State Department of Transportation; and Karen Daubert, Seattle Park's Foundation.

(With Concerns) Katherine Fountain, City of Seattle; Clare Gallagher, Port of Seattle; Robert Johnson, Transportation Choices Coalition; and Sean Eagan, Port of Tacoma.

(Opposed) John Coney, Uptown Urban Center Alliance; and Jacob Struiksma, Feet First.

Persons Signed In To Testify But Not Testifying: None.