

FINAL BILL REPORT

ESHB 1978

C 8 L 09

Synopsis as Enacted

Brief Description: Concerning economic stimulus transportation funding and appropriations.

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

House Committee on Transportation

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 enacted 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 Transportation Partnership Act (TPA) was enacted, 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

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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, U.S. Congress enacted the American Recovery and Reinvestment Act of 2009 (ARRA), providing \$787 billion in spending and tax cuts nationwide. The ARRA 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:

2009 Supplemental Transportation 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 costs incurred due to several unanticipated events, including severe floods and winter storms, as well as extraordinary increases in fuel costs at the beginning of Fiscal Year 2009. The supplemental budget also reflects the change in the economic climate since the summer of 2008: several programs' and agencies' appropriations are decreased to correspond to 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 WSDOT for the purpose of rehabilitating the SR 532/84th Avenue NW bridge deck.

Implementation of the American Recovery and Reinvestment Act of 2009.

Spending authority is provided 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, and the second tier projects are eligible to receive funding if additional federal funding is received or if the costs of the top tier projects are less than originally anticipated. 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 act. 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.

Votes on Final Passage:

House	67	28
Senate	45	4

Effective: March 5, 2009