

# SENATE BILL REPORT

## SB 6547

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As Reported by Senate Committee On:  
Transportation, February 6, 2018

**Title:** An act relating to establishing an equitable debt service repayment plan for the Tacoma Narrows bridge.

**Brief Description:** Establishing an equitable debt service repayment plan for the Tacoma Narrows bridge.

**Sponsors:** Senators O'Ban and Angel.

**Brief History:**

**Committee Activity:** Transportation: 2/05/18, 2/06/18 [DPS, w/oRec].

**Brief Summary of First Substitute Bill**

- Establishes a series of loans totaling approximately \$75 million from the multimodal transportation account to the Tacoma Narrows Bridge (TNB) account for fiscal biennia 2019-21 through 2029-31.
- Directs the Transportation Commission to submit a biennial report informing the Legislature if the loan scheme will remain sufficient to keep TNB toll rates at a \$5.50 or lower blended rate.

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** That Substitute Senate Bill No. 6547 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hobbs, Chair; King, Ranking Member; Chase, Cleveland, Dhingra, Fortunato, McCoy, O'Ban, Sheldon, Takko, Wellman and Zeiger.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Saldaña, Vice Chair; Liias.

**Staff:** Erica Bramlet (786-7321)

**Background:** TNB Finance History. The eastbound TNB opened to traffic in July 2007 as a toll bridge. The bridge cost \$786 million to complete—approximately \$57.6 million of

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which was construction sales tax—and was funded by selling general obligation bonds that were backed by the Motor Vehicle Account and the full faith and credit of the state of Washington. Toll rates are set by the Washington State Transportation Commission and currently may only be collected on the TNB until the debt service and deferred sales tax is paid in full.

The bridge was financed with an escalating debt structure, resulting in multiple toll rate increases over the years as debt payments have increased. At the current trajectory, another rate increase would likely be needed in fiscal year 2020. Over the life of the bridge, the Legislature has adjusted the funding scheme in the following ways:

- 2007—loan of \$5.3 million, scheduled to be fully repaid using civil penalty revenue by the 2023-25 biennium;
- 2012—deferral of the \$57.6 million repayment of the sales tax for construction of the bridge until fiscal year 2032 after the debt service is fully paid; and
- 2016—transfer of \$2.5 million from the motor vehicle account to the TNB account.

Refinance Workgroup. In the 2017 legislative session, the Transportation Budget included direction to the Transportation Commission to convene a refinance workgroup for the TNB. The workgroup's preferred policy solution was to transfer \$125 million of non-toll state funding into the TNB account to offset future debt service payment increases, allocated across the remaining years of tolling at levels that would avoid any toll rate increases over current levels.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (First Substitute):** The bill includes intent language regarding inequity in the debt financing structure for the TNB compared to other tolled facilities in the state, and the accompanying policy recommendations of the TNB refinance workgroup. The Office of the State Treasurer is directed to transfer the following amounts from the multimodal transportation account to the TNB account at the beginning of each fiscal biennium to ensure that TNB toll rates do not exceed a blended rate of \$5.50:

FY 2019-21	\$17,672,000
FY 2021-23	\$8,151,000
FY 2023-25	\$13,916,000
FY 2025-27	\$12,064,000
FY 2027-29	\$20,173,000
FY 2029-31	\$2,414,000
<b>Total</b>	<b>\$74,390,000</b>

The loans are required to be repaid by the end of fiscal year 2032.

The Transportation Commission is required to submit a biennial report to the Legislature through fiscal year 2032 to indicate if the loan scheme laid out in the bill is sufficient to keep TNB toll rates at a level at or below a \$5.50 blended rate.

**EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE (First Substitute):**

- Removes the requirement that tolls continue on the TNB to cover operations, maintenance, and preservation after debt service, deferred sales tax, and loans to the TNB account are paid off.
- Changes the loan from annual amounts to biennial amounts.
- Adds an expiration date of July 1, 2032.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Proposed Substitute:** *The committee recommended a different version of the bill than what was heard.* PRO: This bill is a great solution to what has been a longstanding problem in the region. The TNB was the tolling guinea pig for the state, and the debt structure was not aligned with usage over the bridge. Giving toll rate certainty to citizens and businesses in the area would avoid even more problems down the road. This bill is a fair compromise because the loan would go after the state sales tax from the project construction is due in fiscal year 2030 or 2031, and tolls would continue at a rate just low enough—around \$0.75—to cover preservation, operations, and maintenance only. Ideally the state could just pitch in dollars, but there are many needs before the Legislature. The Transportation Commission supports the intent to relieve the financial burden on tollpayers, and had recommendations that would better support the intent of the bill to keep rates steady by increasing the total possible loan amount by 20 percent and removing the specific annual loan amounts to account for projection changes, along with changing the reporting requirement from biennial to annual.

CON: Citizens of Kitsap County were promised in 2007 that when the debt was paid, the tolls would go away. Now all of the original costs will have to be paid, plus tolls ad infinitum to cover operations. This bill is not equitable. The TNB has had to pay nearly 100 percent of costs with tolls, while the SR 520 bridge has only had to pay around 75 percent of costs with tolls, while the rest was kicked in by the state. Paying off a \$75 million loan with one more year of tolling would be livable, but to have tolls go on forever is not fair.

OTHER: The work group had a mandate to find an equitable solution to relieve tollpayers from a faulty financing plan, and this proposal is not equitable. TNB tollpayers are the only ones in the state paying escalating bond debt, and covering all of the costs with tolls. It is critical for the area to have stable toll rates to attract residents, shoppers, and businesses. The work group said they did not want a loan, but instead a buy-down on the debt increases starting today. Even if this \$125 million buy-down occurred, TNB tollpayers would still be paying over 90 percent of costs. The Transportation Commission's recommendations would help clarify gray areas. There should not be a loan and tolls should not extend in perpetuity.

**Persons Testifying:** PRO: Senator Steve O'Ban, Prime Sponsor; Bruce Beckett, citizen; Carl See, Transportation Commission; Senator Jan Angel.

CON: Michael Murphy, citizen.

OTHER: Randy Boss, TNB Citizen Advisory Committee.

**Persons Signed In To Testify But Not Testifying:** No one.