Fiscal Impact Statement for Initiative 1125

No fiscal impact is assumed for the Tacoma Narrows Bridge and State Route 167 toll lanes. Fiscal impacts for future toll roads and toll bridges are unknown and indeterminate. The State Treasurer states that bonds secured solely by toll revenue will become prohibitively expensive if the Legislature sets tolls, thus eliminating this financing tool for transportation projects. Prohibiting variable tolling will require additional analyses estimated to cost up to $8.3 million. Because the restrictions on future toll revenue, toll expenditures and toll lanes cannot be quantified, the fiscal impact on state and local governments from these provisions is indeterminate.

General Assumptions

- The initiative is effective Dec. 8, 2011, and applies prospectively.
- The term "highway purposes" is used to describe the 18th Amendment purposes. For purposes of the fiscal impact statement, "highway purposes" excludes operating funds for transit and other funding for transit, bicycle and pedestrian facilities that do not directly benefit the highway system.
- Estimates are described using the state's fiscal year (FY) of July 1 through June 30.
- The fiscal impact statement covers the period FY 2012 through FY 2017.
- Fiscal impacts are measured against current law, enacted budgets and bond authorizations.
- Bonds are a form of state debt used to finance capital construction and transportation projects. Bonds enable the state to receive funds today on the promise that the funds will be repaid with interest. Bonds must be authorized by the Legislature and identify how the debt will be paid.

Assumptions by Section

- **Section 2** limits expenditures from the Motor Vehicle Fund and toll funds to transportation purposes.
- **Section 3** prohibits the state and its agencies from the transfer or use of gas tax or toll-funded lanes for non-highway purposes.
- **Section 4** applies to all tolled facilities, except the Tacoma Narrows Bridge and state ferries. The Legislature shall determine and establish tolls and charges on tolled facilities. The initiative does not change existing tolls, toll rates or methodologies. However, to impose a new toll, increase a toll or change a toll methodology to increase revenue, the Legislature must act. In addition, toll revenue must be used for the facility in which the funds are generated and only for highway purposes.
- **Sections 5 through 7** apply to toll bridges and other state toll facilities, excluding state ferries, first authorized after July 1, 2008. The Legislature is the tolling authority for all state highways. The initiative does not change existing tolls, toll rates or methodologies. However, to impose a new toll, increase a toll or change a toll methodology to increase revenue, the Legislature must act. In addition, for the future:
  - Toll revenue must be used for the facility in which the funds are generated;
  - Toll revenue must be used only for highway purposes;
  - Toll rates must be uniform and consistent and may not include variable pricing; and
  - Tolls on future tolled facilities must end after the cost of the project is paid.
- **Section 8** applies only to tolls on the Interstate 90 floating bridge. Toll revenue from this facility must be used exclusively for toll facilities and capital improvements on Interstate 90 and only for highway purposes.

State and Local Fiscal Impacts

Section 2. No fiscal impact is assumed from this section. Expenditures from the Motor Vehicle Fund and toll funds are restricted by law to transportation purposes.

Section 3. This restriction is assumed to have no impact on state or local revenues. The restriction also does not direct new expenditures or new costs. Therefore, it is assumed that state and local governments will adjust their actions to comply with this restriction, resulting in no new increased or decreased costs.

Sections 4 through 8 are described by tolled facility:

Tacoma Narrows Bridge

These sections do not apply to this bridge, and therefore, no fiscal impact is assumed.

State Route 167 High-Occupancy Vehicle Lanes

Because these tolled lanes were first authorized before July 1, 2008, only Section 4 applies to them. Tolls are authorized for this facility until June 30, 2013. It is not anticipated that toll rates will increase during this authorization. Therefore, no fiscal impact is assumed on toll revenues from the lanes. There is no debt on these lanes.

Tolls collected from high-occupancy toll lanes can be used to increase transit, vanpool, carpool and trip reduction services in the State Route 167 corridor, which could be inconsistent with highway purposes. However, enacted budgets provide that all tolls collected from the lanes be used solely for the operation, administration and enforcement of these lanes. Therefore, no fiscal impact is assumed for state and local expenditures.

State Route 520 Bridge

Sections 4 though 7 apply to this bridge. Tolls are authorized and have been set for this bridge. The Legislature has identified toll revenue as part of the State Route 520 bridge replacement and high-occupancy vehicle program. It is not known whether a toll rate increase will be necessary during the period covered by this fiscal impact statement. However, if it is necessary, the Legislature will need to act to set tolls subject to requirements contained in Section 7.

Current law requires the use of variable tolling. If a toll rate increase is necessary, a new toll rate analysis and supplemental environmental review will be required to implement a uniform and consistent toll rate. Assuming that these analyses can be conducted concurrently within project schedules, the cost is estimated at up to $3.2 million. Prior analysis indicates that a fixed toll rate equivalent to the weighted average of variable tolls could reduce revenue by up to 11 percent due to different traffic patterns (Parsons Brinckerhoff analysis, March 2008). However, because a new analysis is necessary to quantify impacts and it is not certain that a toll rate increase is necessary during the period covered by the fiscal impact statement, the impact on toll revenue is indeterminate.

Federal Urban Partnership Agreement (UPA) grants were awarded to the Washington State Department of Transportation, King County and King County Ferry District conditioned on implementing variable tolling on the existing State Route 520 bridge. If a toll rate increase is necessary and variable tolling is prohibited, the state, King County and King County Ferry District would lose authority to spend remaining grant funds and could be required to repay the entire grant amount. The state has spent $64.4

million of the state's $86.1 million UPA grant, leaving $21.7 million remaining as of July 2011. King County has spent $34.8 million of the county's $41 million UPA grant, leaving $6.2 million remaining as of July 2011. The King County Ferry District was awarded $1 million, none of which has been spent as of July 2011. Because it is not known if a toll rate increase is necessary during the period covered by the fiscal impact statement or what action the federal government will take, the impact on this grant revenue is indeterminate.

Tolls collected from State Route 520 can be used to provide for the operations of conveyances of people or goods, which could be inconsistent with highway purposes. However, current law and enacted budgets provide that tolls collected from State Route 520 must be used for operation and administration of the tolled bridge and high-occupancy vehicle program and to repay bond obligations used to finance construction and capital improvement costs, which are assumed to be consistent with highway purposes. Therefore, no fiscal impact is assumed on state and local government expenditures during the period covered by the fiscal impact statement.

Current law authorizes the issuance of $1.95 billion in bonds secured solely by toll revenue or secured by both toll and gas tax revenue. The State Treasurer states that requiring tolls to be set and adjusted by the Legislature rather than by an independent toll-setting body would make the cost of bonds secured solely by toll revenue prohibitively expensive and would be unprecedented nationally. Because investors in toll revenue bonds see the independence of toll-setting bodies as a critical credit characteristic, no other toll revenue bond issuer in the nation sets tolls subject to legislative approval (Public Resource Advisory Group analysis, Feb. 8, 2011). Therefore, the State Treasurer states that bonds secured solely by toll revenue would be eliminated as a financing tool for the bridge. Gas tax or other revenues would be necessary to issue bonds, reducing overall capacity to finance transportation projects, which may impact future expenditures.

Interstate 405 High-Occupancy Vehicle Lanes
Sections 4 though 7 apply to these lanes. Tolls are authorized for these lanes, but tolls have not been set. Current law requires the use of dynamic tolling. To implement a uniform and consistent toll rate, a new toll rate analysis and supplemental environmental review would be required. Assuming that these analyses can be conducted concurrently within project schedules, the cost is estimated at up to $2.5 million. Because the new analysis is necessary to quantify impacts, the impact on toll revenue is indeterminate.

Tolls collected from Interstate 405 high-occupancy vehicle lanes can be used to provide for the operations of conveyances of people or goods, which could be inconsistent with the highway purposes. However, current law and enacted budgets provide that tolls collected from the lanes must be used for operation and administration of the tolled lanes and to repay bond obligations to finance construction and capital improvement costs, which are assumed to be consistent with the highway purposes. Therefore, no fiscal impact is assumed on state and local government expenditures during the period covered by the fiscal impact statement.

Current bond authorizations for construction and capital improvements of Interstate 405 high-occupancy vehicle lanes from Bellevue to Lynnwood are secured by gas tax revenue. Therefore, no fiscal impact is assumed on indebtedness for these lanes.

State Route 99 Alaskan Way Viaduct
Sections 4 though 7 apply to this highway. Tolls have not been authorized by the Legislature. Current toll rate analysis for this highway has assumed the use of variable pricing. To implement a uniform and consistent rate, a new toll rate analysis and supplemental environmental review would be required. Assuming that these analyses can be conducted concurrently within project schedules, the cost is estimated at up to $2.6 million. Because tolls have not been authorized and the new analysis is necessary to quantify impacts, the impact to toll revenue is indeterminate.

The Legislature has identified toll revenue as part of the State Route 99 Alaskan Way Viaduct replacement project. This expenditure is assumed to be consistent with the highway purposes. Therefore, no fiscal impact is assumed on state and local expenditures.

Current bond authorizations for construction and capital improvements for portions of the State Route 99 Alaskan Way Viaduct replacement project are secured by gas tax revenue. If costs exceed $2.4 billion, no more than $400 million of additional costs will be financed with toll revenue. Because there is no authorization to use toll revenue for bonds, the fiscal impact on indebtedness for this highway is indeterminate. Additionally, the State Treasurer states that bonds secured solely by toll revenue would be eliminated as a financing tool for this highway.

Interstate 90 Floating Bridge
Sections 4 though 8 will apply to this bridge. Whether the Legislature will authorize tolls on the Interstate 90 floating bridge and for what purpose are unknown. Therefore, the fiscal impact is unknown and indeterminate. Additionally, State Treasurer states that bonds secured solely by toll revenue would be eliminated as a financing tool for this highway.

Future Facilities
Sections 4 though 7 will apply to future tolled facilities. The Washington State Department of Transportation was directed by the Legislature to conduct tolling analysis on the Interstate 5 Columbia River Crossing in Clark County, Interstate 5 express lanes between Seattle and Northgate, Interstate 90 in King County, Interstate 405 high-occupancy vehicle lanes from Bellevue south, State Route 509 in King County and State Route 167 extension in Pierce County. Whether the Legislature will authorize tolling on these highways and for what purpose are unknown. Therefore, the fiscal impact is unknown and indeterminate. Additionally, the State Treasurer states that bonds secured solely by toll revenue would be eliminated as a financing tool for these bridges and highways.