

# HOUSE BILL REPORT

## HB 2142

---

### As Reported by House Committee On: Transportation

**Title:** An act relating to providing for a sufficient minimum balance to cover Tacoma Narrows bridge operating expenses.

**Brief Description:** Providing for a sufficient minimum balance to cover Tacoma Narrows bridge operating expenses.

**Sponsors:** Representatives Young and Caldier.

#### **Brief History:**

##### **Committee Activity:**

Transportation: 2/24/15, 2/26/15 [DPS].

#### **Brief Summary of Substitute Bill**

- Prohibits an emergency contingency reserve from being held in the Tacoma Narrows Toll Bridge Account.
- Creates a new account that may receive transfers from certain accounts and that is restricted regarding expenditures, allowing only certain expenses to be paid out of the account and only in certain circumstances.

---

### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Clibborn, Chair; Fey, Vice Chair; Moscoso, Vice Chair; Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Bergquist, Gregerson, Harmsworth, Hayes, Kochmar, McBride, Moeller, Morris, Ortiz-Self, Pike, Riccelli, Rodne, Sells, Shea, Takko, Tarleton, Wilson, Young and Zeiger.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Farrell, Vice Chair.

**Staff:** Andrew Russell (786-7143).

#### **Background:**

---

*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.*

### Financing the Tacoma Narrows Bridge.

In 2002 the Washington State Department of Transportation (WSDOT) developed its finance plan for a new Tacoma Narrows Bridge. This plan called for tolls to be collected on the bridge, but the toll revenues were not pledged to support the bonds; instead, fuel tax dollars were pledged to bond holders. Ultimately, the Office of the State Treasurer (OST) issued zero-coupon bonds, most of which are non-callable, to finance the construction of the bridge, eliminating any need to pay debt service during the construction of the bridge. The new bridge opened to traffic in 2007, and the first debt-service payments were made shortly thereafter.

### Toll Collection on the Tacoma Narrows Bridge.

The WSDOT collects tolls from drivers who cross the new bridge—that is, tolls are collected from drivers traveling eastbound on State Route 16. These toll revenues must be deposited into the Tacoma Narrows Toll Bridge Account (Bridge Account), and the funds may be used only to reimburse the Motor Vehicle Account and to pay the costs of financing, operating, maintaining, and repairing the bridge. Currently, the toll rates for two-axle vehicles are \$4.50 when using a Good to Go! Pass, \$5.50 when paying in cash, and \$6.50 when paying by mail. The WSDOT's current finance plan shows that approximately \$69.5 million will be collected in total revenue in the 2015 fiscal year.

### Sufficient Minimum Balance.

In 2010 the Washington State Transportation Commission (WSTC), with guidance from the OST, adopted a sufficient minimum balance (SMB) policy. Because the bonds issued to construct the Tacoma Narrows Bridge did not include reserve requirements, this choice was a policy decision, not a contractual obligation. After input from the OST and WSDOT, the WSTC determined that the SMB should be equivalent to 45 days of working capital to cover any revenue shortfalls or legitimate cost increases. Under the WSDOT's current finance plan, annual costs are expected to be nearly \$66 million in the 2015 fiscal year, and the sufficient minimum balance is set at \$8.248 million during the 2015 fiscal year.

---

### **Summary of Substitute Bill:**

Revenues and interest deposited into the Bridge Account are prohibited from being reserved or used as an emergency contingency reserve. A new account, the Toll Facility Capital Reserve Account (Reserve Account), is created and into which only transfers from any account other than the Bridge Account may be deposited. Additionally, any funds in the Reserve Account may be used only in an emergency to pay required costs of financing, operating, maintenance, management, and necessary repairs. Finally, an "emergency" is defined for the purposes of this Reserve Account as "any event or condition, expected to last longer than three weeks, that prevents tolls from being collected on the facility."

### **Substitute Bill Compared to Original Bill:**

The substitute bill restores language that had been stricken in the original bill relating to the WSTC's rule-making authority regarding costs that may be paid with toll revenue. Additionally, the substitute bill removes a section from the original bill that required the OST

to adopt a rule if it were to require a sufficient minimum balance to cover 45 days of operating expenses of the Tacoma Narrows Bridge. The substitute bill also clarifies that no emergency contingency reserve be held in the Bridge Account, while the original bill had specified only that a sufficient minimum balance to cover 45 days of operating expenses may not be held in the Bridge Account. Finally, the provisions of the substitute bill relating to the creation of a new account, and to revenues and expenditures from that account, were not a part of the original bill.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The sufficient minimum balance is like an insurance policy. There is a notion that we want to be able to provide an accommodation in a situation where revenue collection is stopped due to some catastrophe. The problem here is how the minimum balance was implemented. A lawsuit may be filed at some point regarding the sufficient minimum balance, but it is also important to protect the state's bond rating, and this might also provide an opportunity to mitigate potential toll increases. This bill is seeking to remove the controversy and instead use another state account to hold the minimum balance. We wouldn't anticipate using these funds, but if something were to come up, there would be funds that could be drawn upon. This could serve as an example for other projects to secure a potential better bond rating.

(Opposed) In 2009 the WSTC, the OST, and the WSDOT had a conversation about providing a cushion in the Bridge Account to cover costs of the bridge. Subsequently, the WSTC enacted a policy to establish the sufficient minimum balance. The dollars held for the sufficient minimum balance are contained in the Bridge Account, and it is cash on reserve that can be accessed during times of the year when costs exceed revenues. Prior to this policy, the Bridge Account was nearly run down to zero several times. Essentially, the sufficient minimum balance provides 12.5 percent of expenses currently, which is around \$8 million. The working capital is provided to address potential revenue deficiencies, and it is there in the event that toll revenue could not be collected. The insurance coverage on the bridge does not cover revenue loss in certain situations. If the current Bridge Account does go negative, it will get a loan from the Motor Vehicle Account, which must be repaid with interest. Alternatively, that situation might trigger emergency rate-setting. There are approaches to addressing increased toll costs, but removing the WSTC's ability to independently manage the financial performance is problematic, and the current policy should continue.

The state has learned never again to do this type of financing that requires increasing debt service payments. Revenue and traffic projections have been off, making the situation more

difficult. But the WSTC's toll-setting independence needs to be retained. If the Legislature gets involved in toll-setting, the cost of funds goes up substantially, because the market does not have confidence in the predictability and stability of that process. The market also looks at how the state manages projects, financing, and reserves, which gives confidence in how bonds are paid back.

**Persons Testifying:** (In support) Representative Young, prime sponsor.

(Opposed) Reema Griffith, Washington State Transportation Commission; and Scott Merriman, Office of the State Treasurer.

**Persons Signed In To Testify But Not Testifying:** None.