# HOUSE BILL REPORT
# SHB 2990

**As Passed House:**
February 28, 2018

**Title**: An act relating to the Tacoma Narrows bridge debt service payment plan.

**Brief Description**: Concerning the Tacoma Narrows bridge debt service payment plan.

**Sponsors**: House Committee on Transportation (originally sponsored by Representatives Fey, Young and Muri).

**Brief History:**
**Committee Activity:**
Transportation: 2/20/18, 2/21/18 [DPS].
**Floor Activity:**
Passed House: 2/28/18, 97-1.

**Brief Summary of Substitute Bill**

- Establishes legislative intent to authorize a series of biennial loans totaling approximately $85 million to the Tacoma Narrows Bridge (TNB) account for fiscal biennia 2019-21 through 2029-31.
- Directs the Washington State Transportation Commission to submit an annual report with sufficient information to allow the Legislature to determine an adequate loan amount that would be required for each fiscal biennium to maintain tolls at no more than 25 cents higher than the TNB toll rates effective in 2018.

## 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; Wylie, Vice Chair; Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Harmsworth, Assistant Ranking Minority Member; Chapman, Gregerson, Hayes, Irwin, Kloba, Lovick, McBride, Ortiz-Self, Pellicciotti, Pike, Riccelli, Rodne, Shea, Stambaugh, Tarleton, Valdez, Van Werven and Young.

**Staff**: Patricia Hasan (786-7292).

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*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**:

Tacoma Narrows Bridge Finance History.
The eastbound Tacoma Narrows Bridge (TNB) opened to traffic in July 2007 as a toll bridge. The bridge cost $786 million to complete—approximately $57.6 million of 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 revenue is used to repay the debt service and sales tax of the construction. Toll rates are set by the Washington State Transportation Commission (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:

- 2006—transfer of $1.3 million from the Multimodal Transportation Account to allow a lower toll rate for users with a transponder;
- 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;
- 2016—transfer of $2.5 million from the Motor Vehicle Account to the TNB account to avoid a toll rate increase in fiscal year 2017; and
- 2017—approval of a $5 million loan from the Motor Vehicle Account to occur in April 2019 and to be repaid in full in November 2019 to avoid a toll rate increase in fiscal year 2019.

Refinance Workgroup.
In the 2017 Legislative Session, the 2017-19 Transportation Budget included direction to the Commission to convene a refinance workgroup for the TNB. The workgroup was tasked with reviewing and providing recommendations on various scenarios for future toll payer relief. 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 Substitute Bill**:

Legislative intent is established regarding inequity in the debt financing structure for the TNB compared to other tolled facilities in the state. Legislative intent is established to provide state contribution loans for each fiscal biennium through the life of the debt service plan of up to a total of $85 million that is to be repaid to the state after the debt service and deferred sales taxes are fully repaid.

Legislative intent is established to direct the Commission to:

- maintain tolls at no more than the toll rates effective at the fiscal year 2018 level until fiscal year 2022; and

- maintain tolls at no more than 25 cents higher than the toll rates effective at the fiscal year 2018 level beginning in fiscal year 2022 until such time as the debt service, deferred sales tax obligation, and any state contribution loans are repaid in full.

Legislative intent is established to authorize the Office of the State Treasurer to make state contribution loan transfers to the TNB account at the beginning of each fiscal biennium in amounts necessary to ensure that debt service payments are made in full after toll revenue from the TNB is applied to the debt payment amounts and other required costs of operating the facility.

The Commission is required to submit to the Legislature:
- through 2031, annual reports with sufficient information to enable the Legislature to determine adequate amounts of state contribution loans necessary for each fiscal biennium; and
- beginning in 2031 until the state contribution loans are repaid, annual reports with information detailing the annual expected toll revenue from the TNB that will be used to repay the state contribution loans.

Repayment of state contribution loans is added to the list of obligations that must be met before tolling may be removed from the TNB.

**Appropriation**: None.

**Fiscal Note**: Available.

**Effective Date**: 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 debt service on the construction of the eastbound portion of the TNB was structured to be easy to pay using toll revenues at the beginning and increasingly difficult to pay in the later years. In general, debt service is expected to have a flat amount to be paid each year, which is not the case for the TNB debt service. Additionally, the construction project was designed to have 99 percent of the costs paid for by toll revenue. The bridge was opened right before the Great Recession began, and the originally-forecasted traffic rates did not increase as expected, meaning that revenues collected from tolls were lower than originally expected.

The refinance workgroup convened during the interim did not propose what is in this bill as one of its policy recommendations. However, this is an appropriate and well-balanced way of approaching the escalating debt service costs; up to $85 million of the future increases in the debt service—which totals $125 million over the current annual payment amount—are to be paid through state loans and the remaining $40 million is to be paid from a one-time 25-cent increase in the toll rates which will then be stabilized at that rate until remaining debt is repaid. This is a reasonable solution and a fair compromise to relieve the burden of uncertainty and increasing tolls on the TNB. This solution begins with an upfront stabilization of toll rates until fiscal year 2022 for TNB users, which allows time for the economy to pick up and for traffic across the bridge to increase.  Additionally, there is a stable financing package attached to assist with the increasing debt service payments, making for a good solution all around.  This TNB debt service issue has been discussed for several years, and it is time to establish a long-term solution instead of dealing in annual subsidies or loans as short-term solutions.  This is an opportunity to do something good and provide stability for the members in the communities that regularly use the TNB.

Two recommendations are provided that would give more flexibility to both the Legislature and the Commission in implementing the intent of this bill.  The first is to increase the total possible loan amount above $85 million to provide a greater cushion against potential shortfalls in the future.  This supports the legislative intent to maintain tolls rates after a 25-cent increase in fiscal year 2022.  The second is to ensure the legislation clearly directs that state contribution loan amounts be determined after toll revenue collected on the TNB toll facility is applied to all financial obligations for operating the facility, and not just applied to the debt service payments as is currently stated.

(Opposed) None.

**Persons Testifying**:  Representative Fey, prime sponsor; Representative Young; Carl See, Washington State Transportation Commission; Bruce Beckett; and Chelsea Hager, Cities of Gig Harbor and Port Orchard.

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