

SENATE BILL REPORT

SB 5317

As of February 8, 2017

Title: An act relating to a sufficient minimum balance supporting the Tacoma Narrows toll bridge.

Brief Description: Concerning the payment of certain required costs of the Tacoma Narrows toll bridge.

Sponsors: Senators Angel, Rolfes and Sheldon.

Brief History:

Committee Activity: Transportation: 2/08/17.

Brief Summary of Bill

- Creates a new Tacoma Narrows Toll Bridge Sufficient Minimum Balance Account to cover unexpected facility costs; to be replenished annually from the Connecting Washington Account to the amount determined by the Transportation Commission as the sufficient minimum balance.
- Directs that funds currently set aside as the sufficient minimum balance in the existing Tacoma Narrows Toll Bridge Account must be used only to mitigate future toll charges or pay deferred sales tax after tolls are no longer collected on the bridge.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Erica Bramlet (786-7321)

Background: The eastbound Tacoma Narrows Bridge (TNB) opened to traffic in July 2007 as a toll bridge. The bridge cost \$735 million to complete 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 (WSTC) and may only be collected on the TNB until the debt service is paid in full.

In March 2010, the WSTC adopted a toll setting policy which requires an established Sufficient Minimum Balance (SMB) to be maintained in the Tacoma Narrows Toll Bridge

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.

Account in an amount not less than 12.5 percent of annual TNB costs—equivalent to 45 days of working capital year round. The purpose of the SMB is to ensure sufficient revenue to cover revenue shortfalls or legitimate cost increases if there is an interruption in toll revenue collection or if traffic volumes decline due to unforeseen circumstances. The revenues generated to provide this SMB are currently retained in the Tacoma Narrows Toll Bridge Account and cannot be used for other purposes.

In fiscal year (FY) 2017, the SMB is set at approximately \$10 million, or 12.5 percent of expected FY costs of \$80 million. In FY 2018, the SMB is expected to increase to \$10.4 million.

Summary of Bill: The Tacoma Narrows Toll Bridge Sufficient Minimum Balance Account is created in the Motor Vehicle Fund in the State Treasury. Funds in the new account may be spent only after appropriation. In the event of a revenue disruption to the toll facility, 45 days' worth of financing, operation, maintenance, management, and necessary repair costs—referred to as the sufficient minimum balance—as determined by the Transportation Commission must be covered using the new SMB account first.

On July 1, 2017, the State Treasurer must transfer the amount determined by the Transportation Commission as the SMB from the Connecting Washington Account to the new Tacoma Narrows Toll Bridge Sufficient Minimum Balance Account. Annually thereafter, the State Treasurer must replenish the new account up to the determined SMB level until tolls are no longer collected on the bridge. At this point, the new account may be used to pay any deferred sales tax due, and any money remaining may be transferred back to the Connecting Washington account.

Funds remaining in the existing Tacoma Narrows Toll Bridge Account as of July 1, 2017, reflecting the SMB may be used only to mitigate future toll increases in accordance with a plan developed jointly by the Transportation Commission and the Citizen Advisory Committee. If any money remains in this account when tolls are no longer collected on the bridge, the funds must be used to pay deferred sales tax.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2017.

Staff Summary of Public Testimony: PRO: The revenue package deferred \$57 million in sales tax to the end of the debt period, which will help keep tolls more stable. The bill would transfer about \$10 million from the Connecting Washington Account to a new Sufficient Minimum Balance Account to be used if cash flow is interrupted. When tolls are no longer collected, the new account could be used to pay down deferred sales tax, and then any remaining money can go back to the Connecting Washington Account.

The Legislature's funding support of the bridge in the 2016 budget helped delay tolling rate increases for a couple of years. The projected traffic on the bridge is not as high as originally projected, and the financing structure will keep escalating the debt payments for tollpayers. The payments have already doubled since 2010. The \$10 million tollpayers have put into the existing account to cover potential operating disruptions helps the state's bond rating, which helps other projects. This bill is an appropriate way to start the conversation about how to share this and fund the increasing debt and operating costs. The cities of Gig Harbor and Port Orchard support toll reduction efforts, and this bill would be a critical step toward ensuring toll revenues generated are strictly used to pay debt and operating costs. The rates have increased 4 out the 5 last years and impact the nearby communities.

OTHER: The bridge project was financed differently than most transportation projects, and the State Treasurer originally requested the Commission set up a reserve to ensure funds would be available if tolling was disrupted. The insurance deductible on the bridge is \$10 million, which happens to align with the 12.5 percent current sufficient minimum balance policy. The Commission is supportive of any revenue that can help lower toll requirements, but would prefer the new account be non-appropriated so the funds would be accessible in an emergency.

Persons Testifying: PRO: Senator Jan Angel, Prime Sponsor; Bruce Beckett, Chair, Narrows Bridge Advisory Committee; Chelsea Hager, Cities of Gig Harbor and Port Orchard.

OTHER: Reema Griffith, WSTC.

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