

# HOUSE BILL REPORT

## ESSB 5825

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### As Reported by House Committee On: Transportation

**Title:** An act relating to tolling the Interstate 405, state route number 167, and state route number 509.

**Brief Description:** Addressing the tolling of Interstate 405, state route number 167, and state route number 509.

**Sponsors:** Senate Committee on Transportation (originally sponsored by Senators Hobbs and King; by request of Department of Transportation).

#### **Brief History:**

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

Transportation: 4/27/19 [DPA].

#### **Brief Summary of Engrossed Substitute Bill (As Amended by Committee)**

- Makes both the Interstate 405 (I-405) express toll lanes (ETLs) and State Route 167 (SR 167) ETLs permanent, with a single toll revenue account.
- Modifies performance metrics for the required ETLs corridor reporting.
- Authorizes tolling on, and creates an account for, the future Puget Sound Gateway facility.
- Authorizes the issuance of up to \$1.5 billion of general obligation bonds for I-405, SR 167, and the Puget Sound Gateway facility, payable from toll revenue, motor fuel taxes, and vehicle-related fees, and adds legislative intent for projects on which the bond proceeds will be used.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass as amended. Signed by 18 members: Representatives Fey, Chair; Slatter, 2nd Vice Chair; Valdez, 2nd Vice Chair; Wylie, 1st Vice Chair; Barkis, Ranking Minority Member; Chambers, Chapman, Dent, Doglio, Gregerson, Kloba, Lovick, Ortiz-Self, Paul, Pellicciotti, Ramos, Riccelli and Shewmake.

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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.*

**Minority Report:** Do not pass. Signed by 5 members: Representatives Young, Assistant Ranking Minority Member; Eslick, Irwin, Orcutt and Van Werven.

**Minority Report:** Without recommendation. Signed by 4 members: Representatives Walsh, Assistant Ranking Minority Member; Boehnke, Goehner and Mead.

**Staff:** David Munnecke (786-7315).

## **Background:**

### Bonds.

Washington periodically issues general obligation (GO) bonds to fund transportation capital projects with a long-term expected life span. General obligation bonds pledge the full faith and credit of the state towards payment of debt service. Historically, the legislation authorizing the issuance of transportation GO bonds has also pledged repayment first from motor fuel tax proceeds and has, on occasion, also pledged toll revenue as the first repayment before the motor fuel tax proceeds. The proceeds of the bonds must then be appropriated for transportation projects.

Legislation authorizing the issuance of general obligation bonds requires a 60 percent majority vote in both the House of Representatives and the Senate. Legislation authorizing the issuance of revenue bonds, such as bonds backed solely by toll revenues, requires a constitutional majority vote in both the House of Representatives and the Senate.

The State Finance Committee was created in 1921 and is composed of the Governor, the Lieutenant Governor, and the State Treasurer. The Committee authorizes the issuance and establishes the terms, conditions, and manner of the sale of all bonds, notes, and other debt for the state to finance capital projects in the state's capital and transportation budgets. Article VIII, section 1(a) of the Washington Constitution and existing statutes limit the term of state GO bonds to 30 years.

### Toll Facilities.

The Legislature must authorize a facility as toll-eligible before it may be tolled. The Washington State Transportation Commission (Commission) is the state's tolling authority with responsibility for setting toll rates. The Washington State Department of Transportation (WSDOT) is the operator of the authorized toll facilities.

Toll revenues from each facility are deposited into that facility's designated account. Current law confines permissible uses of toll revenue to do the following:

- cover operating costs, including maintenance, preservation, administration, and toll enforcement;
- meet obligations for the repayment of debt;
- meet any other funding obligations for projects or operations;
- provide for the operation of conveyances of people or goods; and
- fund improvements to the facility.

### State Route 167.

In 2008 the WSDOT converted one lane each direction of State Route 167 (SR 167) between Renton and Auburn from a high-occupancy vehicle (HOV) lane to a high-occupancy toll (HOT) lane. Solo drivers can use a transponder to enter the lane and pay a toll to travel in the high-occupancy lane during peak periods. If the vehicle has two or more people in it, they may travel in the HOT lane for free. There is currently no photo tolling on the SR 167 HOT lanes. The HOT lanes were initiated as a four-year pilot project through 2012, but tolling authorization has been extended in the transportation budget each biennia since.

#### Interstate 405.

In 2015 the WSDOT completed a widening and HOV conversion project and began tolling on the express toll lanes (ETLs) on Interstate 405 (I-405) between Bellevue and Lynnwood. Solo drivers can use a transponder to enter the lanes and pay a photo toll to travel in the ETLs during peak periods. If the vehicle has three or more people in it, they may travel in the ETLs for free if they have a transponder set to HOV mode. Some sections of the corridor have one ETL in each direction, while some sections have two ETLs in each direction.

The 2015 Connecting Washington package funded a similar widening and HOV conversion project for the south half of the I-405 corridor, to construct two ETLs in each direction between Renton and Bellevue. The legislative project list funds the project at a \$1.23 billion level, with \$215 million of this expected to be toll funding. Assuming current law, the south end facility is expected to be open to traffic in 2024.

#### Puget Sound Gateway.

The Puget Sound Gateway project was funded at \$1.88 billion in the 2015 Connecting Washington package, and will construct new segments of SR 167 in Pierce County and SR 509 in King County, simultaneously, over a 16-year period. The legislative project list assumes local contributions of \$130 million and toll funding of \$180 million, with the remaining \$1.57 billion paid with gas tax and other vehicle-related fees.

The SR 167 portion of the Puget Sound Gateway project will complete the remaining 4 miles of SR 167 between North Meridian Avenue in Puyallup and I-5 in Fife. The SR 509 portion will extend the highway between South 188th Street and I-5 in SeaTac, and also includes a spur from Interstate 5 (I-5) in Fife to SR 509 in Tacoma. Phase 1 of the project is expected to be open to traffic by 2026, with Phase 2 open by 2031. Initial tolling analyses assume all lanes would have variable tolling at three photo toll points.

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### **Summary of Amended Bill:**

#### Interstate 405/State Route 167 Corridor.

The I-405 express toll lane corridor authorization is extended south to the junction with SR 167. The SR 167 HOT lanes pilot project is repealed, SR 167 express toll lanes are authorized between the junction with I-405 and junction with SR 512, and SR 167 toll revenues are directed into a new, permanent Interstate 405 and State Route 167 Express Toll Lanes Account within the Motor Vehicle Fund, along with I-405 toll revenues.

The annual performance reporting requirement on how actual gross revenues align with the original fiscal note is removed. In addition to the required reporting metric of whether the ETLs maintain speeds of 45 miles per hour at least 90 percent of the time during peak periods, if the WSDOT works with the Federal Highway Administration on an alternate metric, that will be reported as well. A two-year, two-part performance trigger based on speeds and revenue to terminate the ETL operations is removed.

Toll charges are prohibited from being imposed on carpools with two or more people on the portion of I-405 between Bellevue and Renton for at least the first year after imposition of tolls unless the WSDOT finds that the ETLs will not cover the financial obligations outlined for the bonds dedicated to I-405 and SR 167. If the WSDOT finds that the ETLs on the portion of I-405 between Bellevue and SR 167 will not cover these financial obligations, then the restriction on toll charges will not be implemented and the WSDOT must provide the transportation committees of the Legislature with a report, within 30 days, that provides options for not assessing toll charges on carpools with two or more people in the vehicle, which also meet the financial obligations for the bonds dedicated to I-405 and SR 167.

Bonding of \$1.16 billion is authorized for I-405 and SR 167, and directed to be used on the following projects:

- up to \$600 million for improvements on I-405 between SR 522 and SR 527;
- up to \$215 million for completion of the project on the south half of I-405, between Renton and Bellevue;
- up to \$20 million for design on the I-405/North 8th Street direct access ramp project;
- up to \$3 million to update the SR 167 master plan; and
- up to \$100 million to extend ETLs on SR 167 south.

#### Puget Sound Gateway.

The Puget Sound Gateway facility is designated as an eligible toll facility and tolling is authorized. The facility is defined as SR 167 between North Meridian Avenue in Puyallup and I-5 in Fife, the SR 509 spur between I-5 in Fife and SR 509 in Tacoma, and SR 509 between South 188th Street and I-5 in SeaTac. The Commission is directed to set a variable toll rate schedule to maintain travel time, speed, and reliability, and may adjust rates for inflation. For the SR 509 portion of the facility, when setting the rates, the Commission and the WSDOT are directed to consider a lower rate schedule for low-income drivers and for drivers that live in close proximity to the corridor.

A Puget Sound Gateway facility account is created inside of the Motor Vehicle Fund.

Deposits to the account are to include:

- all proceeds of bonds and loans;
- all tolls and other revenues received from the operation of the facility;
- any interest from those revenues;
- proceeds from the sale of any associated surplus property; and
- any damages collected under any associated contracts.

Monies in the account may only be spent after appropriation, and are confined to the same permissible uses as other Washington tolling facilities. The Commission and the WSDOT are required to consider naming the portions of SR 167 and SR 509 where all of the lanes are tolled as the SR 167 or SR 509 Expressway, respectively.

Bonding of \$340 million is authorized for the Puget Sound Gateway facility, and directed to be used on the following projects:

- to advance toll contributions and \$129 million in Connecting Washington funds in order to open Phase 2 of the project three years earlier and realize cost savings; and
- up to \$5 million for noise mitigation on SR 509 between South 188th Street and I-5.

**Amended Bill Compared to Engrossed Substitute Bill:**

The Interstate 405 Express Toll Lanes and SR 167 Express Toll Lanes accounts are merged, as are the associated bond proceeds requirements. The prioritization of the expenditure of the bond proceeds on I-405 is removed.

The Commission and the WSDOT are required to consider naming the portions of SR 167 and SR 509 where all of the lanes are tolled as the SR 167 or SR 509 Expressway, respectively.

Toll charges are prohibited from being imposed on carpools with two or more people on the portion of I-405 between Bellevue and Renton for at least the first year after imposition of tolls unless the WSDOT finds that the ETLs will not cover the financial obligations outlined for the bonds dedicated to I-405 and SR 167. If the WSDOT finds that the ETLs on the portion of I-405 between Bellevue and SR 167 will not cover these financial obligations, then the restriction on toll charges will not be implemented and the WSDOT must provide the transportation committees of the Legislature with a report, within 30 days, that provides options for not assessing toll charges on carpools with two or more people in the vehicle, which also meet the financial obligations for the bonds dedicated to I-405 and SR 167.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested April 26, 2019.

**Effective Date of Amended Bill:** The bill contains an emergency clause and takes effect on June 30, 2019.

**Staff Summary of Public Testimony:**

(In support) In order to be supported, this tolling bill should accelerate the Puget Sound Gateway project and expand SR 167, which is what the bill now does.

People are shocked that it will take 12 years to finish the Puget Sound Gateway project. The WSDOT has evaluated the benefit to accelerating the Puget Sound Gateway project, and found that it is fiscally prudent to do so. There is a \$147 million benefit to doing so because of the added efficiency, reduced inflation, and increased toll collection. It will also mean that the benefits and the jobs from the project will come sooner.

The Puget Sound Gateway project will save people time and money, improve commerce, and allow people to spend more time with their families. Tolling and bonding will allow for completion of the project in order to provide necessary connections. It will be a benefit to both the region and the state.

This bill provides more financial capacity for the system, which can be used on other projects in other parts of the state. It provides the best plan for doing these projects, and other options would be more challenging to implement.

Interstate 405 is Bellevue's economic lifeline. Interstate 405 should tolled, bonded, and built. People have stopped complaining about tolls, and this bill will help resolve issues with congestion.

Bus rapid transit on I-405 will help with congestion on the corridor, but the improvements need to be constructed in order for it to truly be rapid.

Marine cargo through Tacoma and Seattle supports 58,000 jobs, and is responsible for \$250 million each year in state revenue. These jobs and state revenue are dependent on moving goods, and customers are thus demanding these projects.

Labor, trades, cities, counties, ports, and businesses all support the Gateway project.

(Opposed) None.

**Persons Testifying:** Senator Zeiger; John Chelminiak, City of Bellevue; Derek Matheson, City of Kent; Andy Rheaume and Davina Duerr, City of Bothell; Doug Levy, Cities of Renton and Fife; John McCarthy, Port of Tacoma; Jerry VanderWood, Associated General Contractors; Mark Martinez, Pierce County Building and Construction Trades Council; Michael Transue, Tacoma Pierce County Chamber; Gordon Baxter, International Longshore and Warehouse Union, International Boatmen's Union, International Organization of Masters, Mates, and Pilots, Teamsters Local 174, and Puget Sound Maritime Trades Union; Carmen Goers, Kent Chamber of Commerce; and Carolyn Logue, South Sound Chamber of Commerce Legislative Coalition.

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