

# **Washington State's Gas Tax Saga**

## *The Quest for Transportation Revenue*

*State Summit on Innovative Transportation Funding and Financing*  
**National Governors Association Center for Best Practices**

**Paula Hammond**  
Secretary of Transportation  
Washington State Department of Transportation

**Hon. Chris Gregoire**  
Governor

Washington, D.C.  
June 25, 2008



# Washington State Department of Transportation Profile: 7,000 Employees

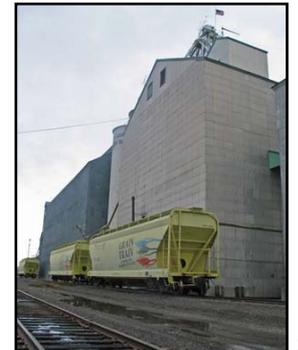


WSDOT owns, manages and maintains:

- 20,000 state highway lane miles (carry 86 million vehicle miles/day)
- 3,400 state bridges
- 28 ferry vessels and 20 terminals (carry 24 million passengers/year)
- Partner in Amtrak *Cascades* state passenger rail (carries 420,000 passengers/year)
- 16 General aviation airports
- Grain Train (runs 89 grain cars)
- 1,432 miles of short line rail

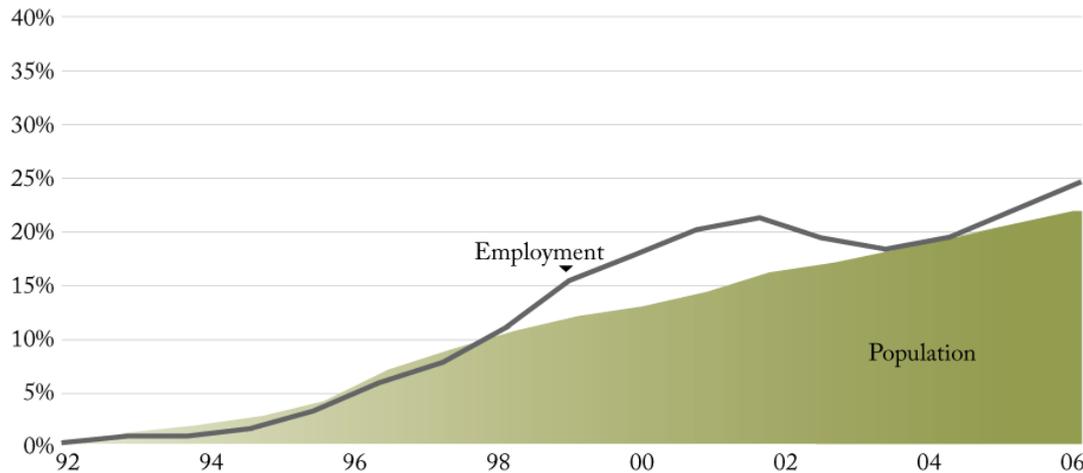
Total 2007-09 Biennial Budget of \$5.9 billion (17% federal)

- \$4.56 billion (07-09) Capital Budget, over 1,000 active projects, currently delivering the largest infrastructure program in the state's history
- \$1.35 billion (07-09) Operating Budget

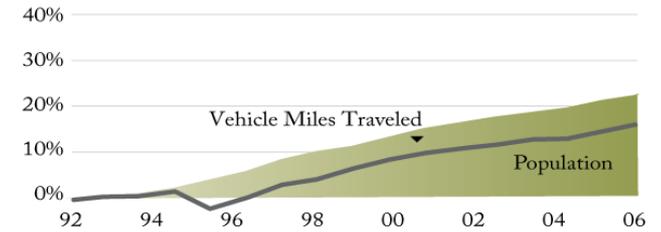


# The Gap Between Transportation Needs And Capital Investment Is Clearly Documented

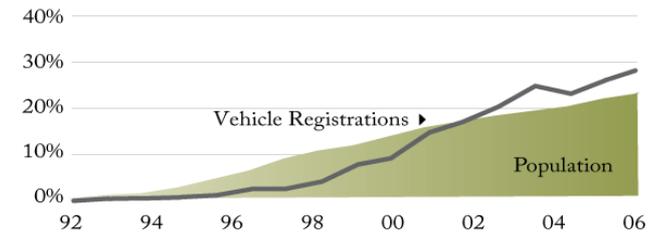
Employment and Population Growth by Year



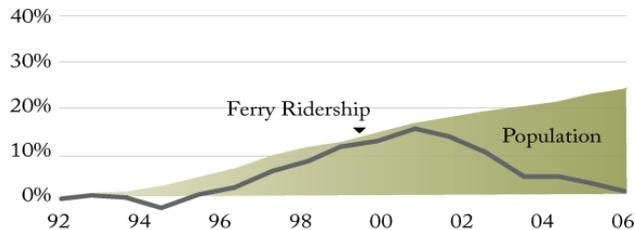
Vehicle Miles Traveled have grown at a slower rate, 16%



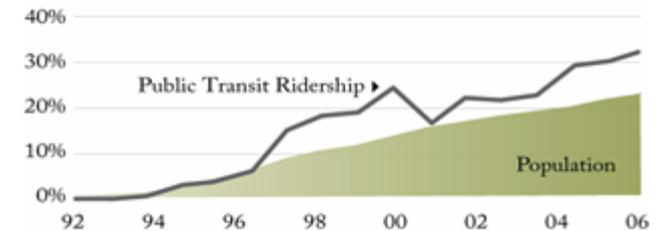
Vehicle Registrations have grown at a faster rate, 27%



Ferry Ridership has grown at a slower rate, 2%

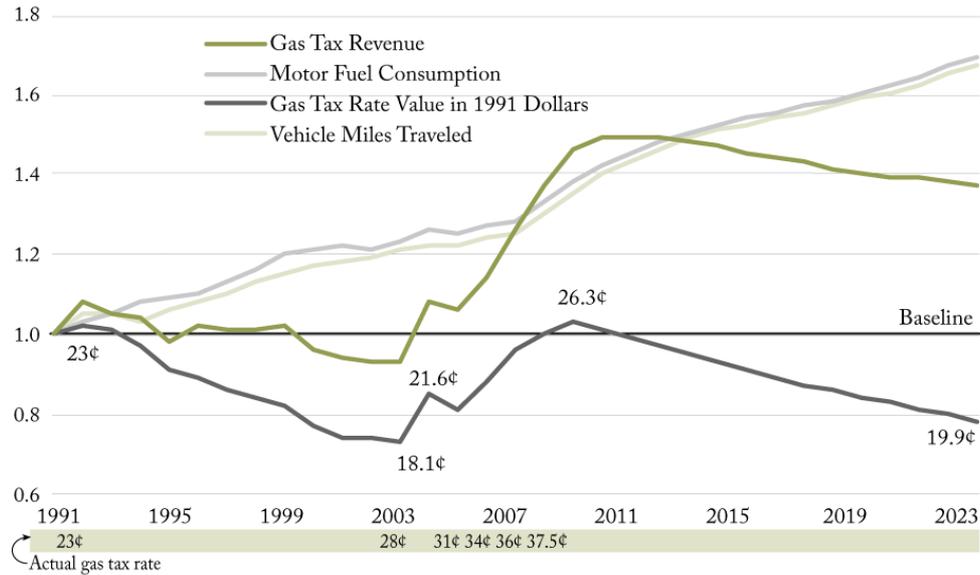


Public Transit Ridership has grown at a faster rate, 32%



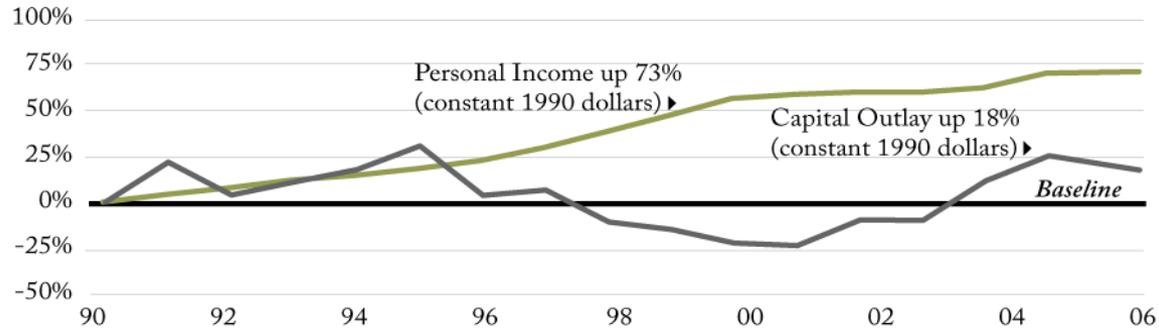
# But the Gas Tax Has Lost Value to Inflation

Growth Rates Compared: Vehicle Miles Traveled, Gas Tax Revenue and Gas Tax Rates



## And the State's Overall Capital Investment in Transportation Has Been Stagnant

Capital Investment Per Dollar of Personal Income



# Transportation Revenue Timeline

**1990-91**

**+ 5¢**

1990-Legislature increases gas tax 4¢  
1991-Legislature increases gas tax 1¢ for a total of 23¢.

**1999**

Voters approved Referendum 49 which reduced the MVET charged to vehicle owners by \$30 and redistributed funds.

**1999**

\$1.9 Billion Bond Authorization  
Voters also approved a Bond Authorization for \$1.9 Billion general obligation bonds backed by the gas tax and the Full Faith and Credit of the State of Washington. MVET provided approximately \$278 million in the 1999-01 biennium.

**1997-2001**

**- \$897 Million**

Voters passed Initiative 695, to eliminate the state MVET which was later enacted by the legislature in 2000. (effective January 2000). All car tabs would now be \$30. Loss from 1999-01 to 2001-03 of \$235 million. (R-49 bond authorization stays in place).

**1999-2000**

Governor's Blue Ribbon Commission study finds transportation needs are \$50-\$100 billion. Recommends a six-year program.

**2000-2002**

**+ \$40 Million**

R-49 bonds were sold to help keep projects moving. \$40 million was appropriated from the general fund for the Washington State Ferries.

**2002**

**+ \$7.7 Billion**

Legislature puts Referendum 51 before the voters asking for a 9¢ gas tax increase (over two years), a 1% surcharge on vehicle sales, and vehicle weight fee increases for heavy trucks to raise \$7.7 billion.

**2002**

**- \$7.7 Billion**

The voters reject Referendum 51 in November 2002.

# In 2002, We Had a Transportation System That Was in Crisis

- 30% revenue erosion from voter cutback on transportation (I-695 Motor Vehicle Excise Tax repeal)
- Blue Ribbon Commission and gubernatorial concerns over departmental inefficiency and lack of accountability
- Media/talk show preoccupation with state's "transportation crisis"
- Legislature embroiled in partisan and regional contentions
- Public's general distrust of government and perception of WSDOT was not credible
- WSDOT employee morale in the tank

## **WSDOT's Accountability Challenge...**

*“To be a high performance organization credible with and accountable to the Governor, Legislature, taxpayers and transportation delivery partners across the state.”*

# WSDOT's Response

## Efforts to Bridge the Information Gap

### WSDOT's Strategic Approach

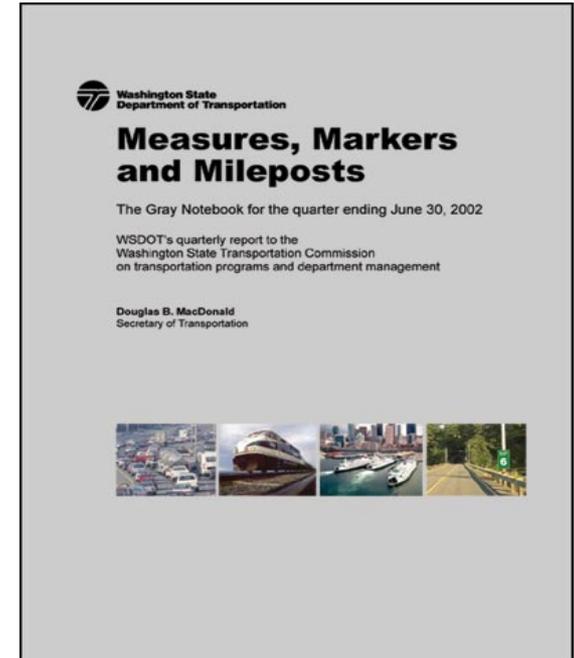
- “Straight Talk” about Transportation
- Accountability and Transparent Communications
- Comprehensive Performance Analysis and Reporting
- Adaptive and Dynamic Performance Measurement

### Communicating Two Simple Themes:

- Accountability
- Project Delivery

### Tool: a Quarterly Performance Report:

- “*Measures, Markers and Mileposts*,” also referred to as the *Gray Notebook (GNB)* tracking a variety of performance and accountability measures for review



# Educating and Informing the Public With Facts

## “Straight Talk” About Transportation

Straight Talk was a significant effort to educate the public, media, and policy-makers about the state of transportation funding in Washington State, an education effort that had never been tried before in the state. Presentations were made statewide, to a variety of audiences including business groups, fraternal organizations, and townhall meetings. Meanwhile, in 2001, Washington ranks 22nd best in maintenance cost per lane mile and 21st in administrative costs as a % of capital and maintenance outlay.

## “The Crisis is Real”

1995	20 <sup>th</sup>
1996	25 <sup>th</sup>
1997	27 <sup>th</sup>
1998	38 <sup>th</sup>
1999	42 <sup>nd</sup>
2000	45 <sup>th</sup>
2001	46 <sup>th</sup>
2002	48 <sup>th</sup>
2003	48 <sup>th</sup>
2004	49 <sup>th</sup>

- In **2001** WSDOT spent **\$120 per person** on highway system capital investment.
- National median was **\$169 per person**
- Washington was **71% of the median**.

Source:  
1995 – 2001 US DOT.

2002-2004 projected data for WSDOT after R- 51 defeated (assumes no population change in other states for 2002-2004)

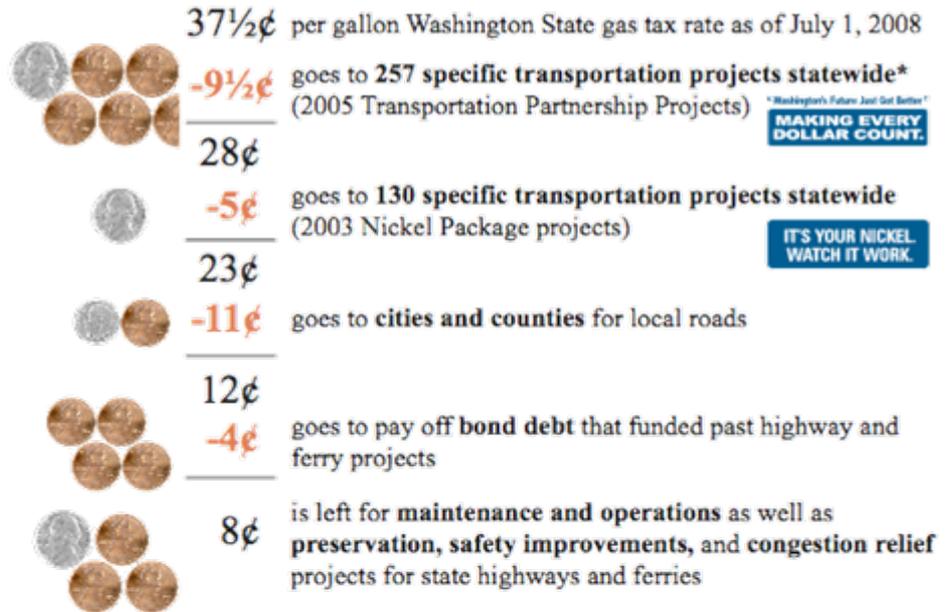
Tacoma Narrows Bridge not included.

# More Straight Talk

## Where Does the Gas Tax Go?

### Not All of the Gas Tax Is Dedicated to WSDOT.

- In 1991 the gas tax was increased to 23¢ per gallon.
- In July of 2003 the gas tax was increased by a nickel, for a total gas tax of 28¢ per gallon.
- In July of 2005 the first of four incremental gas tax increases took place.
  - July 2005 3¢
  - July 2006 3¢
  - July 2007 2¢
  - July 2008 1.5¢
- By July 2008 the rate will be 37.5¢



#### How much does the state gas tax cost you each year?

If you drive 12,000 miles a year:

Miles per gallon	Base 23¢ Gas Tax	2003 5¢ Gas Tax	2005 9.5¢ Gas Tax	Total Annual State Gas Tax
30	\$92	\$20	\$38	\$150
20	\$138	\$30	\$57	\$225
10	\$276	\$60	\$114	\$450

The nickel tax will be eliminated when all bonds associated with it have been paid. This will occur about 25 years after the last bond issue is sold. (according to the current financial plan the tax will be eliminated sometime in 2046)

\*Of the 9½ cents, 8½ cents is used by the state for highway projects, 1 cent goes to cities and counties for improvements to streets and roads.

The 2003 Funding Package funded 160 projects statewide. 130 projects are funded through the nickel gas tax, the other 30 projects utilize multimodal funds provided from increases in various licenses, permits, and fees, as well as an increase to the sales tax on new and used vehicles.

The 2005 Funding Package funded 274 projects statewide. 257 projects are funded through the 9.5¢ gas tax increase, the remaining 17 are funded through the multimodal program from increases to various licenses, permits, and fees as well as a vehicle weight tax.

# Communications and Accountability

## Providing Better Information

- **The New WSDOT Operations/Capital Budget**
- **“Key Facts”** A comprehensive presentation of facts about transportation systems, programs and finances in Washington State.
- **Semi-annual Maintenance Accountability Reports** include highway conditions and costs
- **Cost Estimating and Validation Process (CEVP)** A newly developed tool to improve public understanding of the meaning of cost estimates of large public projects. CEVP includes project cost ranges, project description, schedule, benefits, risks, and level of design.
- **Project Delivery Reporting Quarterly project performance reports include schedules and costs and NO SURPRISES reporting**

**WSDOT Highway Project Delivery**

Graphic illustrating various project delivery models and stages, including design-build, design-bid-build, and construction management at-risk.

**SR 99 Alaskan Way Viaduct and Seawall Replacement Aerial Structure**

10 Year-Project to Full

**Description:** Construct new aerial facility between Station 14+00 to 14+500. New 10-year Oldshore Seawall to be replaced with new 10-year Oldshore Seawall. New 10-year Oldshore Seawall to be replaced with new 10-year Oldshore Seawall.

**Schedule:** Design Construction Range: 2008-2010; Construction Range: 2010-2019

**CEVP Results:** Bar chart showing cost estimates over time.

**Project Cost Range:** There is a 10% chance the cost is less than \$ 2.1 Billion; There is a 50% chance the cost is less than \$ 4.1 Billion; There is a 90% chance the cost is less than \$ 6.1 Billion.

**Benefits this project would provide:** Increases current highway capacity; Adds one lane in each direction in Salford Street Tunnel; Reduces vehicle travel time; Improves highway and commuter movements by building new Salford St. Bridge on SR 99; Improves safety by providing wider lanes and shoulders and increasing sight distance; Increases access for the ferry users by expanding loading area; Improves neighborhoods by connecting the area to new transit; Adds jobs; Provides regional economic stimulus by increasing company and employer contracts; Reduces program.

**Risk issues that could impact project cost or schedule:** Changes to national seismic design criteria increase structure cost; Number of contractors are qualified and available to pursue project that large, increasing cost; Cost of steel and precast concrete; Construction delay or material cost increase before replacement, which results in more expensive emergency replacement; Changes to environmental regulations increase project time and cost; Early stage of project development increases project risk; Uncertainty in when work is done and water can occur; Increase time to complete project; Complex area with many structures; Area from road end and structure; Utility relocation are greater than anticipated, which increase cost; Other construction risks and groundwater could be expected, which increase cost.

**Level of Project Design:** 100% Design

## Maintenance Accountability Report

2007	Targets					
	Northwest	North Central	Olympic	Southwest	South Central	Eastern
TA1 Pavement Repair & Crack Seal	B	B	C	B+	B	C+
TA3 Shoulder Maint	B-	A	C	B	B	C+
TA4 Sweeping	B+	A	C	B	A	B+
UB1 Safety Patrol	B	C+	B-	C+	B	B-
PA1 Ditches	B	C+	B+	B+	B+	B+
PA2 Culverts	C	D	D	C+	D	D
PA3 Catch Basins	B	C+	B+	B	B	B+
PA4 Detention Basins	C	B	B	C	C+	C
PA5 Slope Repair	B	A	B+	A	A	B+
BA1 Lanes	C-	A	B	B	B	B
BA2 Noxious Weeds	B	A+	B+	A+	A	B
BA3 Nuisance Weeds	B-	A	A	B	A	B
BA4 Vex Obstructions	B-	D+	C+	C+	A-	B+
BA5 Landscaping	C	B	B	C	C	B
BA1 Bridge Decks	B-	A	C	B-	A	B
BA2 Structural Bridge	C	D	A	B	C	B
BA3 Bridge Cleaning	C	B	B	B	C	B
UB1 Movable & Floating Bridges	B+	A	A	A	A+	B
UB2 Keller Ferry	B					B
UB1 Snow & Ice	B	B+	A	A	A	A
BA1 Striping	C+	C	D+	C	C+	C
BA2 Raised/Recessed Markers	B	C	A-	C	C	D
BA3 Pavement Marking	B	C	C	C	C	B
BA4 Regulatory Signs	C+	D	C	C	D	D
BA5 Guide Signs	B-	D	B+	C+	D+	B
BA6 Guide Posts	C-	C-	C-	C-	C-	C-
BA7 Guardrail	A	A	A	A	A	A
BB1 Signal Systems	C+	C	B-	C	C	C+
BB2 Hwy Lighting	B+	D	B	D	B+	B
BB3 ITS	B-	B+	A-	B-	A	A
BB4 Permits	B	B	B	B	B+	B
FB1 Rest Areas	B	B	B	B	B+	B

Blue = missed state target  
Red = missed region target  
StateTargets Missed - 15 Region Targets Missed - 73

**2003-2005 Budget**

Adopted by the Washington State Transportation Commission August 14, 2002  
Douglas B. MacDonald Secretary of Transportation

# Performance Measures Your Neighbor Can Understand: Posting *Real-time* Travel Times and Reliability Information on the Web

We have changed our Web site to make information more accessible to the public.

- WSDOT posts real time traffic information to continue to be the first and most credible source of traveler information.
- The homepage was simplified and organized to be more accessible to the traveling public, and those who want to conduct or follow the business of the agency.
- We utilize a number of social media tools in our online “newsroom,” to shift the way the public thinks about us as a government agency.
  - use of a blog, engaging the public in conversation
  - Flickr, posting photos, public events of interest
  - or our use of YouTube, posting videos, to engage the public.



# Tangible Benefits of Consistent Performance Management and Reporting Enhances WSDOT's Credibility

## 2003 State Gas Tax Increase

- Transportation Revenue Package. 5 cents/gallon gas tax increase took effect July 1, 2003

## 2005 State Gas Tax Increase

- Transportation Revenue Package. 9.5 cents/gallon gas tax increase (phased in over four years) July 1, 2005

## Nov 2005: No on I-912

- Through a simple majority vote, Washington State citizen had a choice to eliminate the 9.5 cents gas tax that was passed by the 2005 WA Legislature. 53% voted ***“No, don't eliminate the new gas tax.”***

**2003**

**+ \$4.1 Billion**

Legislature enacts  
"Nickel Funding  
Package".

**2005**

**+ \$7.1 Billion**

Legislature enacts  
"Transportation  
Partnership Account".

**2005**

Voters reject  
Initiative-912 to  
overturn the  
Transportation  
Account Partnership.

# The Public Continues to Demand Accountability Through Performance Audits

## 2002-Transportation Accountability Board

- Environmental Permitting
- Accountability Mechanisms
- Capital Project Management
- Environmental Permitting

## 2005 Washington State Auditor-Legislature Appropriates \$4 million for Performance Audits of WSDOT

- Highway Construction and Maintenance Programs
- State Highway Efficiency and Effectiveness (congestion)
- Administration and Overhead
- Washington State Ferries

## Initiative 900 passed in November 2005 authorizing the Washington State Auditor to conduct Performance Audits of all 2,700 state agencies and local governments in Washington.

- Performance audit objectives may vary widely, and include assessments of program effectiveness, efficiency, internal control, and compliance.
- Under I-900, the state auditor must follow government auditing standards.
- The appropriate legislative body at the state or local level must hold at least one public hearing to consider an audit's findings and recommendations, within 30 days of each audit report's release.
- Legislative bodies at the state and local level must consider the auditor's report during the budget process.

# Just When You Think You've Got It Figured Out...

- 2007 Puget Sound Regional Roads and Transit (Proposition 1) \$7 billion package failed at the ballot leaving critical gaps in transportation system unfunded.
- Inflationary pressures are driving up costs on construction materials. New environmental and engineering standards are contributing to higher project costs.
- The transportation system needs are increasing, even as the existing revenue forecasts are falling due to high gas prices.
- While new revenue sources such as tolls are being explored, partisan politics and election cycle timing stall substantive policy making.
- Meanwhile WSDOT continues with its strategic approach of accountability, project delivery, and communications...

***The Saga Continues***