STATE OF WASHINGTON
TRANSPORTATION COMMISSION
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January 4, 2008

The Honorable Christine Gregoire
Office of the Governor
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Gregoire:

I am pleased to transmit this report to you in response to your letter dated September 6, 2007 in which you asked the Washington State Transportation Commission to provide you with funding options for the North Spokane Corridor Project, along with a summary report on the results of the Spokane Summit we held at the end of September 2007.

As you will read in the attached summary of proceedings, the summit was a great success with over 200 attendees including individuals from city, county, regional and state governmental entities, private sector entities, various associations, and legislative leaders from Washington and Idaho. The summit covered Federal, State and local perspectives on transportation funding and project needs. Breakout sessions focused in on three subjects: 1) Personal Mobility; 2) Freight Mobility; and 3) Economic Development. Participants raised and discussed the North Spokane Corridor Project in all three sessions.

The attached funding options report is the result of the ideas we heard at the summit coupled with further research and assessment on the part of the Commission, with financial expertise and technical support provided by the Washington State Department of Transportation. As you will read in this report, there are many funding challenges facing this project and unfortunately, no simple or single answer emerges. Rather a combination of forces, relationships, and funding sources will need to converge in order for real progress to be made. And we cannot forget that the Federal Government is a key partner – we hope you will continue to encourage Congress and the USDOT to include this national highway in their funding decisions.

We thank you for entrusting this important work with the Commission and we do hope this report will make a useful contribution to the policy and budget discussions that will commence during the 2008 Legislative session, and beyond.

Sincerely,

Richard Ford

Richard Ford, Chair
Washington State Transportation Commission

Attachments

cc: Senator Mary Margaret Haugen
Representative Judy Clibborn
Senator Dan Swecker
Representative Fred Jarrett
Senator Lisa Brown
Senator Chris Marr
Representative Lynn Schindler
Representative Timm Ormsby
Representative Alex Wood
Representative Don Barlow
Representative John Ahern
Senator Bob McCaslin
Representative Larry Crouse
Senator Mark Schoesler
Representative Steve Hailey
Representative Joe Schmick
Jennifer Ziegler, Governor's Executive Policy Office
Jill Satran, Governor's Executive Policy Office
Mike Groesch, Senate Transportation Committee
Beth Redfield, House Transportation Committee
Robin Rettew, Office of Financial Management
Paula Hammond, Washington State Department of Transportation
Jerry Lenzi, Washington State Department of Transportation

WASHINGTON STATE
TRANSPORTATION COMMISSION

NORTH SPOKANE CORRIDOR
U.S. 395

REPORT ON PROJECT FUNDING OPTIONS

January 4, 2008

Funding Options for the North Spokane Corridor

Major transportation issues facing the State include the difficulty in financing highway improvements of statewide significance. A variety of government entities—federal, state, county, city and special purpose districts—are involved in planning and providing transportation improvements for the citizens of Washington State. In the 2005 session, legislation was enacted that could lead to coordinating the planning for and provision of transportation facilities on a regional basis. This legislation significantly expanded the purpose and nature of transportation benefit districts.

What are the implications of this legislation for the North Spokane Corridor? In order for this project to move forward, it will require the local jurisdictions to provide funding to augment amounts the state and the federal government may be able to provide. The state will not be able to fund this project on its own, given the $300 million per biennium that will be needed over 20 years to complete the project. Therefore, this report provides an overview of funding options that could be enacted at the local/regional level. The options presented in this report are the result of a review by the Washington State Transportation Commission (WSTC), with technical support provided from the Washington State Department of Transportation (WSDOT).

For purposes of discussion, all revenue estimates assume any local tax assessment would be limited to Spokane County, as opposed to a larger defined "region." There are two reasons for this assumption: 1) Public Acceptance - the North Spokane Corridor is located in the city of Spokane and Spokane County, and it is therefore deemed that the highest likelihood for getting public support for locally imposed taxes in the Spokane area would be to limit the assessment of those taxes on the citizens who reside in the project's immediate area. 2) Population Realities - to limit a tax assessment within the city boundaries would not provide the activity levels necessary to raise a significant amount of revenue – going countywide improves the level of revenue generation. However, to go wider than Spokane County also carries the same challenge in that most of the population in the tri-county area is concentrated in Spokane County. So for purposes of this discussion, we assume Spokane County's population for the tax base.

Transportation Benefit District - What is it and who can create it?

A transportation benefit district (RCW 36.73) is a special purpose district authorized to finance the construction and operation of transportation projects that are of statewide or regional significance as detailed in the transportation plan of the state or a regional transportation planning organization. A transportation benefit district must be within the boundaries of the entity or entities that create it. A transportation benefit district may be created by a single city or a single county, or may be created by two or more cities or counties. Port districts, transportation authorities, or public transportation benefit areas may be included as well if the legislative authorities of the participating jurisdictions agree to inclusion under an interlocal agreement. Such a transportation benefit district

would occupy the combined area of these jurisdictions. The members of the county or city legislative authority or authorities creating a transportation benefit district serve ex officio as members of the governing body of the transportation benefit district. A transportation benefit district automatically dissolves itself within 30 days after the transportation projects have been completed and paid for or after the debt service has been paid.

A sponsoring county or city legislative authority may create a transportation benefit district by ordinance if, after holding a pubic hearing, it finds that it is in the public interest to create the transportation benefit district. The ordinance creating the transportation benefit district must specify the boundaries of the transportation benefit district and the transportation improvements it proposes to make. In selecting the transportation improvements, the sponsoring legislative authority or authorities must consider a variety of factors, including: improved safety, improved travel time, improved air quality, increased daily and peak period trip capacity, improved modal connectivity, improved freight mobility, cost effectiveness, maintenance, and optimal performance of the system over time. The projects selected may include major highways, streets or roads of statewide or regional significance, high capacity transportation, and public transportation. The transportation benefit district does not own the improvements it finances but instead these improvements are owned by the state, the sponsoring county or city, or a participating port district or transit district.

To finance the proposed improvements, a transportation improvement district may use a variety of voter approved sources, including: excess property tax levies, sales and use taxes, annual vehicle license fees, impact fees, vehicle tolls, and debt proceeds. A transportation benefit district must prepare an annual report describing the status of their transportation improvement costs, expenditures, revenues, and construction schedules. They must also develop a policy to address major plan changes affecting project delivery or the ability to finance its projects. A transportation benefit district must hold a public hearing to solicit comment if a transportation improvement cost exceeds its original finance plan by more than 20%.

What funding options are available to a Transportation Benefit District?

Excess Property Tax Levies

A transportation benefit district may impose voter approved excess property tax levies, including single year levies for its general purposes and multi-year levies to retire general obligation bonds issued for capital purposes. The ballot proposition authorizing either levy must be approved by at least a three-fifths vote and a 40% voter validation requirement.

Sales & Use Tax

A transportation benefit district may impose a voter approved sales and use tax of up to 0.2%. Sales and use taxes may only be imposed for a ten-year period unless voters approve a ballot proposition extending the sales and use taxes for an additional ten-year

period. The sales and use tax is in addition to other sales and use taxes and is imposed on the same taxable occurrences within the transportation benefit district's boundaries as sales and use taxes imposed by the state. A countywide 0.2% sales and use tax in Spokane County could generate an estimated $20 million per year. It should be noted that the time limitation for imposing the sales and use tax could restrict the ability of a transportation benefit district to utilize this funding source for the repayment of debt.

Annual Vehicle Fee

A transportation benefit district may impose a voter approved annual vehicle fee of up to $100 per vehicle registered within the transportation benefit district that is subject to basic license fees and gross weight fees with unladen weights of 6,000 pounds or less. The annual vehicle fee applies only when renewing a vehicle registration. Various vehicle classes are exempt from these fees, such as, snowmobiles, trailers, campers, farm vehicles, off-road and non-highway vehicles and commercial vehicles registered under the international registration plan. An annual vehicle fee of up to $20 would generate $8 million per year and can be imposed without voter approval if the fee is approved by a majority of the transportation benefit district board. In Spokane County, an annual $100 vehicle fee could generate approximately $40 million per year.

Development Impact Fees

A transportation benefit district may impose voter-approved impact fees or charges on the construction or reconstruction of buildings or the development, subdivision, classification, or reclassification of land within its boundaries. Developments of less than 20 residences are exempt from these impact fees. Impact fees must be reasonably necessary as a result of impacts arising from the development, construction, or reclassification of the land on identified transportation needs. Revenues from the impact fees may only be used to finance transportation improvements constructed by the transportation benefit district.

Tolling

A transportation benefit district may impose voter-approved vehicle tolls on state highways, city streets, or county roads within its boundaries. The tolls may only be sufficient to finance the functions and activities that the transportation benefit district is authorized to provide or fund as contained in the ordinance creating the transportation benefit district. For this particular project, tolling may be problematic in that there are currently seven different identified north/south parallel routes that could be used by vehicles to avoid having to pay tolls on this corridor. Furthermore, the locations of six new interchanges with on and off ramps over the 10.5 mile corridor make potential tolling more difficult. The Commission's tolling study made a preliminary finding that this new corridor would not be a viable tolling candidate because of the estimated high rate of potential traffic diversion.

Bonding

A transportation benefit district may incur indebtedness and issue general obligation bonds up to one and one-half percent of the value of taxable property within its boundaries without voter approval and a total of five percent of the value of taxable

property within its boundaries if voters approve a ballot proposition authorizing the indebtedness by at least a three-fifths vote. A transportation benefit district may also issue revenue bonds. The revenue bonds would be payable from the taxes or fees imposed by the transportation benefit district. The maximum term of general obligation bonds is 40 years. For revenue bonds, the maximum term is 30 years. Annual debt service requirements per $100 million in bond proceeds with a 5.25% interest rate and a 25 year term is approximately $7.3 million per year.

What are some other local funding options?

In addition to the transportation benefit district legislation, a number of local option taxes were authorized in the 1990 Legislative session that enable local governments to impose additional taxes for the provision of transportation improvements. These include a commercial parking tax and a motor vehicle and special fuel tax.

Parking Tax

For general transportation purposes, a county or city may impose a commercial parking tax. The tax may either be on the commercial parking business, based on gross proceeds or the number of parking stalls, or on the customer. Tax exempt carpools, vehicles with handicapped decals, and government vehicles are exempt from the tax.

Special Fuel Tax

A local option motor vehicle and special fuel tax equal to 10% of the statewide motor vehicle fuel tax and special fuel tax may be imposed with voter approval. The local option fuel tax would be 3.75 cents following the full implementation of the 9.5 cent state fuel tax rate increase passed by the 2005 Legislature. A countywide local option fuel tax of 3.75 cents could generate an estimated $10 million per year in Spokane County.

Can we defer or transfer the state sales tax on the construction of the project?

The state sales and use tax (6.5%) as well as all locally imposed sales and use taxes are applied to the contract amount of state highway construction projects. With Legislative approval, the state sales and use tax could be transferred from the state general fund to assist in the financing of proposed projects. The state sales and use tax transfer would contribute to the financing of the project and reduce the funding needed to be financed through bond proceeds or other means. With a project cost estimated at $3.3 billion, a state sales and use tax transfer could amount to approximately $215 million.

The Legislature could also provide for a state sales and use tax deferral. A sales and use tax deferral would also reduce the initial cost of the project and, thereby, reduce the need for additional bond financing. If the total financing of the project included tolls, the reduced funding derived from bond proceeds could lead to reduced toll revenue requirements over the life of the project financing.

Is tax increment financing a viable option?

A rarely used financing method is tax increment financing. Tax increment financing is a method of financing public facilities or improvements where some property tax receipts within designated areas are diverted from taxing districts and used to finance the construction of public facilities or improvements in the designated areas. This mode of financing is also known as community redevelopment financing. Tax increment financing is generally intended to assist local government promote economic development.

A county, city, or port district may institute a tax increment financing program under the new legislation enacted in 2001 by designating the boundaries for a tax increment finance area, holding a public hearing on the proposal, and obtaining agreements for the financing program from the local governments imposing at least 75% of the regular property taxes within the tax increment financing area. A tax increment financing program with a fire protection district located in the tax increment finance area may only be instituted if the fire protection district approves the program. The tax increment financing area must be comprised of contiguous tracts of land and may not comprise more than 25% of the total assessed value of the taxable real property within the boundaries of the local government creating the tax increment financing area.

The assessed value of property located within a tax increment finance area is separated into two parts. First, the regular property taxes imposed by local governments on the assessed value of the area at the time it was created, plus 25% of any increased assessed value, are distributed to the taxing district as if the tax increment financing program were not instituted. Second, the regular property taxes imposed by local government on 75% of any increased assessed valuation is diverted from these taxing districts and used to finance the infrastructure improvements within the tax increment finance area. The tax increment financing terminates when the financing is completed. Utilization of this form of financing along a significant transportation corridor project could be problematic due to the extended time period for construction and financing.

What do all these options mean in actual funding levels for the project?

To summarize, what follows is an outline of potential funding sources and the average annual revenue each could generate as elements of a funding package for the North Spokane Corridor project *(estimates assume countywide assessments within Spokane County).*

Total Estimated Project Cost:	
Cost over 20 years *(based upon 2006 estimate and risk analysis)*	**$3.3 billion**
Local Annual Revenue Sources:	
Transportation Benefit District	
Sales and Use Tax (0.2% - 20 year max. limit)	$20 million/year
Vehicle Fee ($100 per vehicle)	$40 million/year
Other Local Option Taxes	
Local Option Motor Fuel Tax (3.75 cents)	$10 million/year
TOTAL ANNUAL REVENUE	**$70 million/year**
TOTAL BOND PROCEEDS OVER 20 YEARS *(Assumes $70 million in annual local revenue is leveraged using 20 year bonds at 5.25% interest.)*	**$750 million**
One-time Revenue Source:	
State Sales Tax Transfer	
Sales and Use Tax (6.5%)	$215 million
TOTAL REVENUE GENERATED OVER 20 YEARS	**$965 million**

Where do we go from here?

The Commission suggests the following actions be taken to move this project forward:

1. The state should assist and support the local jurisdictions in formulating a countywide funding package for the North Spokane Corridor project. We need a partnership in place so that local funding contributions can be made and combined with needed state contributions to the project. Tolling should continue to be assessed and considered as a possible funding source.
2. As funding for the project becomes available, the acquisition of the necessary right of way should be the first priority. This early acquisition will protect the state and the local jurisdictions from facing further increases in property values along the project's corridor.

PRELIMINARY SUBJECT TO REVISION
DECEMBER 2007

US 395 NORTH SPOKANE CORRIDOR
Construction Sequence: I-90 to Francis Avenue

Washington State Department of Transportation

Section 4: Spokane River to Hawthorne Road
*$571 **$132

This 5.3 mile section of the North Spokane Corridor will construct two new drivable lanes of the NSC between Francis Avenue and Wellesley Avenue and will complete the grading work between the Spokane River and Hawthorne Road.

This portion of the North Spokane Corridor will construct Section 3 Spokane River to Francis) improvements to city arterials and realign existing railroad tracks to allow for the next grading section. This section will provide grade separations of the city arterial system with the railroad and improve access by providing uninterrupted train and vehicular traffic flow through the corridor as additional sections of the NSC are constructed.

Section 6: Trent Avenue to Francis Avenue
*$662 **$90

This 2.4 mile section of the North Spokane Corridor will construct a four-lane viaduct from Trent Avenue to the Spokane River, including a bridge across the river. This section will also construct four lanes from the Spokane River to Wellesley Avenue. Other facilities include a park and ride lot east of the southern junction of the Market/Haven Couplet, and a pedestrian bicycle path from Francis Avenue to the Spokane River.

Section 7: I-90 North Access Connection
*$900 **$104

This .85 mile section of the North Spokane Corridor, in conjunction with the I-90 Collector/Distributor section, will complete the NSC section by constructing a viaduct from Main Street to the Spokane River. This section will add four lanes between the Spokane River and Wellesley Avenue and includes channelization, signalization, and widening at Freya Street and Trent Avenue.

Section 8: Collector Distributor System
*$755 **$83

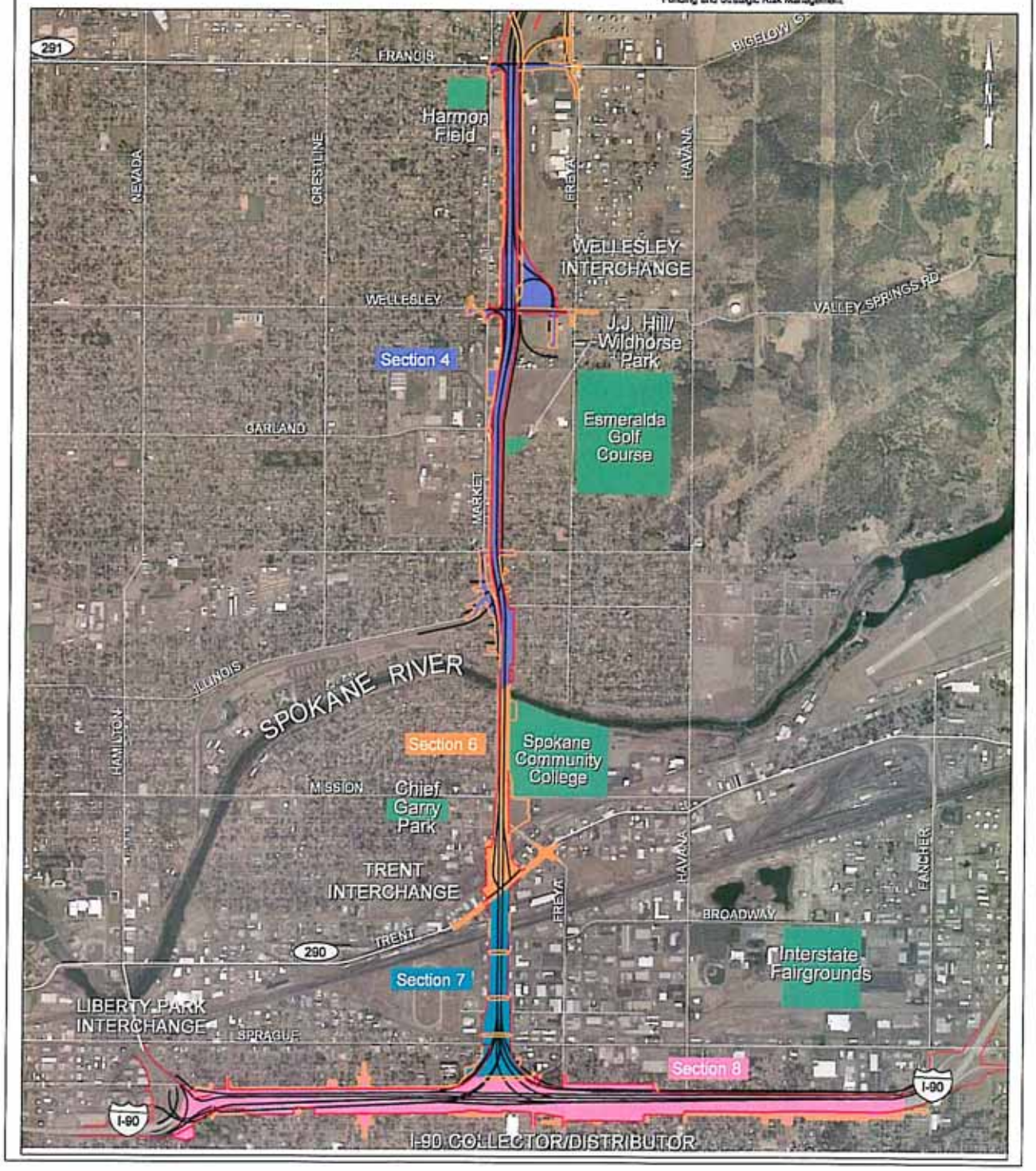
This 3.7 mile section of the North Spokane Corridor, in conjunction with the NSC I-90 north section, will complete the North Spokane Corridor by reconstructing Interstate 90 and constructing a Collector/Distributor System along I-90 between the Liberty Park Interchange and the Sprague Avenue Interchange. This section includes revising local access, ramps, and auxiliary lanes.

*Total Remaining Cost:	**Total Remaining Right of way Cost:
YOE, 60% Risk	YOE, 60% Risk
$3,022	$413

Totals Include Section 5 - Francis Ave. to US 2: (*$135, and **$4)

YOE Values Do Not Include Obligated Funding (Dollars in Millions)

Construction Sequence Will be Established Based on Funding and Strategic Risk Management



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Purpose of the Summit

The Greater Spokane region and surrounding area known as the Inland Empire are seeing steady growth – both in their population and in their economies. That growth brings the need for improved transportation facilities to accommodate increasing demand and fill critical infrastructure voids.

Recognizing this growth, the Washington State Legislature provided funding to the Transportation Commission to host a "regional transportation summit in Spokane to discuss options regarding regional governance and funding for various transportation needs." After consulting with legislators and the Governor's Office, it became clear to the Commission that the geographic scope for this Summit should reach far beyond the Greater Spokane area to include the wheatfields of the Palouse and the other regional economies that rely on the same transportation network as Spokane.

The Commission aimed to create an event that people not only would remember but would use to formulate a vision for transportation needs and objectives and as a catalyst for action. In his welcoming remarks, Transportation Commission Chair Dick Ford pointed out that the transportation vision is "part of a much larger vision – of what kind of a community do you want to be."

Context and Framework

> Historically, the supply of transportation preceded and shaped demand. Today, much of our investment in transportation responds to crises.
>
> – Francis Mulvey, Member, Surface Transportation Board

Transportation Economics.
Funding transportation improvements has a long history of public and private investment. Building and operating streets, roads, highways, ports and airports largely has been a public responsibility. Railroads and pipelines have been funded predominantly through private investment. Public transit systems have

been both privately and publicly owned; most intracity buses are funded today by the government while most intercity bus service is privately run.

Historically, the supply of transportation preceded and shaped demand. Today, much of our investment in transportation responds to crises. Due to decades of underinvestment, this country now wastes 4.2 billion hours in congestion delay annually. And because transportation demand continues to outpace supply, we can expect congestion and delay to get worse for moving both people and freight.

Trade is one factor accounting for transportation growth; trade accounted for 26% of gross domestic product in 2000, double its share of GDP in 1990. By 2020, trade is projected to account for 35% of GDP. Ocean-going ships have increased in size – one ship can now carry 15,000 twenty-foot equivalent unit (TEU) containers. That container traffic enters a constrained rail system -- a national rail network that today is more efficient but one-half the size it was in 1975.

A recent study by the American Association of State Highway and Transportation Officials (AASHTO) estimates that needed rail freight improvements require an additional $12 billion a year. And, our nation's highways need $150 billion in investment.

The federal fuel tax has not been raised for over 14 years. When Congress created the Highway Trust Fund in 1956, gas cost 30 cents a gallon and the tax was 3 cents. In 1994, when Congress last increased the fuel tax to a rate of 18.4 cents, gas cost $1.10 a gallon. Efforts two years ago to increase the federal tax by 4 cents failed under threat of a Presidential veto. As a result, the federal Highway Trust Fund will run at a deficit starting in 2009.

Furthermore, due to inflation, the purchasing power of the gas tax today is about half of what it was in 1993. AASHTO estimates that an immediate 10 cent increase in the federal gas tax is needed to meet existing needs – aside from improvements driven by growth.

Characterizing transportation as "the cornerstone of an effective economy," Tom Fitzsimmons, the Governor's Chief of Staff, noted that the state has made great progress on transportation since 2003. To the amazement of other states, Washington has raised its state gas tax 14.5 cents over the last five years. Washington also has raised weight fees on cars and trucks significantly. With

projects under construction or recently completed all over the state, the Governor is very proud that to date 95% of the projects funded through transportation tax increases in 2003 and 2005 are on time and on budget.

All the new state revenue is bonded and committed to projects, including the last 1.5 cents of the 2005 gas tax hike which has not yet been implemented. "The theory behind all these efforts," Fitzsimmons said, "is that citizens will see the progress, see investment working for them, and be willing to invest more."

The state of Idaho has not increased transportation revenue for 12 years. It is, however, making significant new investments using GARVEE bonds and a version of tax-increment financing.

In addition to the difficulty of raising new revenue, a developing issue is the ability to rely on gas tax revenue projections. As of September 2007, for three consecutive months, gas tax revenues in Washington have been 3 percent under projection---that's $3 million a month. Under the best scenario, gas prices will stabilize and gross collections will be down $76 million in the current biennium and $100 million in the 2009-11 biennium from those projected when the fuel tax was increased.

The September transportation revenue forecast showed a larger revenue decrease, predicated on increasing oil prices, driving the reduction to $200 million. And that just accounts for the state share; these new projections mean $43 to $85 million less in expected combined funding for cities, counties, and local transportation grant programs. All these factors apply to the federal gas tax as well. The September revenue forecast drops expected federal gas tax receipts by $115 million a year across all levels.

The Northwest Economy.

Washington is the most trade-dependent state in the nation – and that may account for Washington having the healthiest economy in the nation today. Port of Tacoma Executive director Tim Farrell stressed that ports give Washington companies access to global markets. In addition to airplane and software sales, apples, hay and French fries are three of the many agricultural products shipped each day through our ports to booming Asian economies.

An even bigger volume of products streams through our ports from Asia for homes and businesses across the continent. The Port of Tacoma estimates that nearly 100,000 jobs statewide are related to its activities. Taken together, the Ports of Seattle and Tacoma create the third largest gateway to North America.

How is Spokane relevant to the Port of Tacoma? Farrell emphasized that a port is only as good as its inland connections. Recognizing the value of trade and its projected growth, the Governor has created an Executive Freight Rail Action Team to focus on freight improvements across the state, including the ports of Seattle and Tacoma, the BNSF railway, and the Union Pacific Railroad. In addition, the state's recent purchase of the Palouse and Coulee City (PCC) Railroad enables continued short line service to over 70 rail-dependent Eastern Washington businesses.

But more needs to be done, Farrell pointed out. Freight tonnage worldwide is expected to triple in the near future. Canada, Mexico, and other states are taking action to build and expand ports and their connections inland. Virginia is investing $25 million a year in a rail enhancement fund to improve a rail corridor leading to the Ohio River valley; the city of Reno, Nevada is investing hotel taxes and a special district assessment as part of a $280 million project to separate the busy Union Pacific railroad Oakland to Chicago main line from downtown traffic; **ConnectOregon** is a lottery-bond-based initiative first approved by the 2005 Oregon Legislature to reduce freight costs for business by investing in air, rail, marine and transit infrastructure.

Inland Northwest Assets and Needs.

In their welcoming remarks, Senator Lisa Brown and Spokane Mayor Dennis Hession both acknowledged that the Spokane region has few traffic problems, making it "exactly the right time," in Senator Brown's view to comprehensively tackle transportation issues. The Mayor added that a short commute is part of Spokane's attractive quality of life and selling point he uses to attract new business to the area.

"Although Spokane is second to last nationally in the lack of congestion," noted Robert DeHaan, Deputy Assistant Secretary for Transportation Policy, "the congestion plaguing the West Coast affects Spokane. Are you prepared for the coming congestion?"

Inland Northwest assets, such as the Port of Lewiston and the comparatively low landing fees charged by Spokane International Airport, can play a larger role in meeting the needs of the 20 million people who live within a 16-hour drive. Judy Cole, a Vice-President with Avista utilities, and Idaho Senator John Goedde introduced the concept of an Inland Pacific Hub. The Inland Northwest is poised to benefit not only from the east-west trade to and through the Puget Sound ports, but continued trade growth with Canada. Cole explained that part of the need to work together with Idaho and the rest of Washington is that the Spokane region "is not competing with Western Washington or Northern Idaho. We are competing with the world."

Airport Landing Fees	
Spokane International	$900
Seattle-Tacoma	$2,160
Portland, Oregon	$1,710
Vancouver, B.C.	$3,440

Senator Goedde expanded on Cole's comments, noting the close connections between Northern Idaho and Eastern Washington; Spokane International Airport is the front door to the tourist destination Coeur d'Alene and U.S. 95, Idaho's north-south corridor, is the fastest route from the west coast to booming Alberta, Canada, in the midst of the strongest period of economic growth by any province ever. The U.S. 395 corridor may bring a new wave of Asian goods that are beginning to arrive at a new $170 million port that has opened in Prince Rupert, British Columbia. And, the 10 years from 1994 to 2003 have seen a doubling of bilateral trade between Canada and Mexico.

More infrastructure will be needed. Although state highway needs in eastern Washington are estimated to cost over $5.2 billion the next 20 years, only $1.7 billion is projected to be available to meet that need. All-weather roads in rural areas, rail grade separations, and improved rail and transit connections are in addition to this $3.4 billion shortfall.

One project Governor Gregoire would like to see the region work together on is the North Spokane Freeway. Its 10.5 mile length connects I-90, U.S. 2 and U.S. 395 and impacts much of the north-south movement of people and goods in the Spokane area. Another important need for the Inland Northwest is a long-term

financial strategy (and perhaps a governmental structure) for the PCC Railroad, recently purchased by the state.

[*drawn from presentations by Governor Gregoire's Chief of Staff Tom Fitzsimmons, Surface Transportation Board Commissioner Francis Mulvey, Judy Cole with Avista Utilities, Idaho Senator John Goedde, Washington Senator Chris Marr, Port of Tacoma Executive Director Tim Farrell, and USDOT Deputy Assistant Transportation Secretary Robert DeHaan*]

The Federal Perspective.

Congressional viewpoint.
Senator Patty Murray, who chairs the subcommittee on Transportation Appropriations, and Representative Cathy McMorris Rodgers, whose 5th Congressional District covers the entire eastern quarter of Washington, represent different political parties but agree on a strategy for the Inland Northwest: rural and urban areas need to join together to set priorities for key transportation projects. Both emphasized the need to complete the North Spokane Corridor and regard its completion as complementary to other projects in the region.

Senator Murray emphasized that freight mobility is vitally important for the state. In addition to the North Spokane Corridor, she listed three key freight projects for the region:

- Bridging the Spokane Valley to allow safer and faster rail shipments through grade separations;
- Widening U.S. 12 in Walla Walla County; and
- Creating the Inland Pacific Hub.

Representative McMorris Rodgers emphasized that the region must identify its priorities and put together a regional transportation plan. She suggested that the region no longer look at its transportation systems as a patchwork and urged integration of the various modes of Eastern Washington infrastructure. She also cited existing Inland Northwest successes to build on, such as:

- the RailEx project in Walla Walla County, which has made it possible to ship fresh produce from the region to the East Coast, cutting a three-week trip to less than one week;

- a $108 million facelift at the Spokane Airport has completed with capital improvements including rehabilitation of both runways, new entrance roads for Spokane International and the Airport Business Park, expanded surface parking, and the addition of a Ground Transportation Center;
- a fully-loaded barge traveling the Columbia-Snake waterway takes the place of 120 trucks on the road.

The Administration.

It is generally agreed that transportation funding has not kept up with demand. There are four basic ways to meet infrastructure needs, explained Surface Transportation Board Commissioner Francis Mulvey:

- **Build more physical infrastructure**. Not always easy to do – the last new airport built was Denver 10 years ago. Only three major airports have been built in the United States over the last 25 years.
- **Use technology to improve system operations**. Examples include modernizing the air traffic control system, using positive train control to improve rail safety and capacity, and using intelligent traffic systems to manage traffic flow.
- **Better use of existing facilities**. By changing how things are done, such as operating ports 24 hours a day or managing highway demand through telecommuting programs and road pricing, existing infrastructure can accommodate more demand with relatively small investment.
- **Promote behavioral changes by shippers and travelers.**

Each of these approaches – along with public-private partnerships and market mechanisms -- is part of the United States Department of Transportation (USDOT) Urban Partnership program. Funded with $850 million nationwide, this federal program is partnering with five urban areas, including Seattle, to tackle the federal priority of congestion reduction using technology and efficiency – along with concrete. Viewing congestion as an imbalance in supply and demand, USDOT Deputy Assistant Secretary for Transportation Policy Robert DeHaan suggests there are three ways to reduce congestion:

- ration road space through queuing;
- formally allocate road rights;
- use prices and the market – in the form of variable highway pricing.

Pricing and telecommuting are two key aspects of the Urban Partnership proposal made by WSDOT, King County and the Puget Sound Regional Council and accepted by the USDOT. De Haan explained that pricing, in turn, provides the following benefits:

- small reductions in demand produce huge gains in reducing congestion;
- encourages use of mass transit;
- creates a market for bus rapid transit;
- better traffic flow improves fuel economy, thereby reducing greenhouse gas emissions.

New Ways to Expand Infrastructure – Public-Private Partnerships

Because the federal Highway Trust Fund is projected to run out of funds in a few years, it will be necessary to leverage private investment along with public dollars. Fortunately, the high demand for improved mobility for people and goods has generated growing private sector interest in infrastructure – both for building and operating it.

Public-private approaches described by Commissioner Mulvey include:

- **Design-Build Construction** as an alternative to the dominant practice public agencies follow of separately designing a project, and then contracting to have it built – typically by the lowest bidder. Design-Build combines the two functions to provide greater flexibility and saves time by allowing the winning bidder to design and build simultaneously. It is used primarily on mega-projects, such as the Salt Lake City I-15 Corridor project and Hiawatha Light Rail in Minneapolis.
- **Design-Build-Operate-Maintain** takes the Design-Build concept further by contracting with a private partner to operate and maintain the facility or system. This approach has been used on toll bridges, toll roads, public transit systems or airports, such as Massachusetts Route 3 North and the Las Vegas Monorail.
- **Long-Term Leasing** of existing publicly-financed toll facilities to private investors for a prescribed time period, during which time the investors have the right to collect tolls. Prominent examples are the 99-year Chicago Skyway lease for $1.8 billion and the 75 –year Indiana Toll Road lease for nearly $4 billion, both leases made to a partnership of Australia's Macquarie Infrastructure Group and Cintra, S.A., a toll road and car park

operator based in Madrid, Spain. Although the 50 year-old Skyway is in need of substantial rebuilding, for tax purposes the Cintra-Macquarie investment in the leased facilities are treated as if they own the structures.

- **Rail/Intermodal Projects** such as the Alameda Corridor, serving the ports of Los Angeles and Long Beach. By assessing fees on shipping containers, this project was able to finance relocating rail track below grade into a big ditch. By eliminating the grade crossings, up to 60 trains a day can move containers in and out of constrained port space to intermodal yards 10 miles away.
- **Rail Capacity Investment** authority enacted by Congress in TEA-21 allows railroads to obtain loans at government borrowing rates. Although less than a billion has been loaned, $35 billion is available.

But even an infusion of private funds through public-private partnerships will likely not provide enough money to meet our infrastructure needs, Mulvey suggested. There is a growing realization that more public sector involvement is needed.

[*drawn from presentations by Senator Patty Murray, Representative Cathy McMorris Rodgers, Deputy Assistant Transportation Secretary Robert DeHaan and Surface Transportation Board Commissioner Francis Mulvey*]

The State Perspective -- *Washington.*

Where are we today?

Transportation projects today are burdened with significant and unexpected cost increases for both land and materials. Despite cost inflation of almost $2 billion out of a $4 billion capital budget, the 2007 Legislature found ways to keep the projects in the 2003 Nickel Package and 2005 Transportation Partnership Act (TPA) on schedule. The $7.5 billion "bare-bones" budget kept 432 road and bridge projects on track. Bonding term lengths have been extended for some projects to cover higher costs and funds budgeted for projects scheduled for later construction have been shifted to projects that must begin soon -- restoring many projects to their original schedules. This has kept projects funded and on track, it saves money by avoiding inflation and achieves efficiencies by funding each phase of construction fully, rather than piecemeal.

However, the 2007 legislative session brought no new funding. Senator Marr stressed that TPA funding was committed to a project list – a list that was key to getting the votes to pass the 2005 gas tax increase. Also, the new taxes are not fully phased in – 2 cents in new gas taxes came on stream in July 2007 and an additional 1.5 cent gas tax increase takes effect in 2008. The legislature used additional bonding capacity left under the Nickel increase, TPA and Special Category C funding, reprioritized some expenditures, created new funding sources and applied a hard pencil to the budgets. It also freed up an additional $1 billion by creating a mega-project risk pool.

The Senate also struggled to find a way to address critical port and shipper related freight congestion issues. Those huge needs cannot be met with current gas tax revenues. The Senate Transportation Committee floated a number of ideas, including a proposed container use fee, which the ports and shippers both opposed. Those groups agreed instead to participate in an interim legislative process that would bring together freight shippers, ports and other stakeholders to identify alternative revenue sources. This money, if found, would fund over $330 million in prioritized projects over the next 3 biennia that can relieve congestion along roads to ports and other critical freight routes, including $25 million to modify the Stampede Pass tunnel.

What is the near-term and long-term outlook?

Let's start with the gas tax. Whereas today 35 percent of the state gas tax revenue goes to debt service, by the time all of the Nickel and TPA related bonds are issued, nearly all of the gas tax revenue stream will support interest on bonds. The fact is that Washington is more heavily bonded in transportation than anytime in its history and has exhausted its available gas tax bonding capacity.

Although there is authority to issue up to 30-year bonds on gas tax revenues, the State Treasurer has insisted on a maximum 25-year term. Many states have begun to look at 40- or 50-year bonding, particularly for bridges or mega-projects, but that would require legislative authorization in Washington. With little available bonding capacity, and most Nickel and TPA bonds issued at historically low rates, this would be of nominal benefit.

What brought us to this point? Washington's status as one of the most gas tax dependent states began with the passage of I-695 – eliminating $1.5 billion in

funding per biennium raised through car licensing fees. Perhaps more important has been the failure of the federal government to increase the federal gas tax for over 14 years.

At the same time, inflation eats away at the buying power of the gas tax. On the average, gas tax revenues have risen by 2 percent each year, while the annual rate of inflation is running at 3.4 percent. Even with the higher state gas tax, revenues are not keeping up with vehicles miles traveled. Looking to the future, fuel efficiency has climbed from an average of 12 miles per gallon in 1968 to 18 miles per gallon in 1998 – further eroding tax revenues – and congress will likely mandate even higher fuel efficiency standards. Most experts believe that we have 10-15 years left under a gas tax dependent system, if that.

Inflation eats away at the buying power of the gas tax. On the average, gas tax revenues have risen by 2 percent each year, while the annual rate of inflation is running at 3.4 percent. Even with the higher state gas tax, revenues are not keeping up with vehicles miles traveled.

-- Washington Senator Chris Marr

But those next 10-15 years are critical, and there are huge needs in the 2009-11 biennium. Washington's 16 year transportation plan assumes a 2009-11 WSDOT capital budget of $4.5 billion – similar to 2007-09 and $1.3 billion in operating budget expenditures. On top of that we have a $2.3 billion ferry budget that is under-funded by at least $400 million. It includes the purchase of four new ferries but not the refurbishment of others.

We need to:

- Continue to scrub the budget and create new dedicated revenue streams. For instance, the fees for drivers' license abstracts now generate an additional $20 million for the Washington State Patrol. Other examples of new revenue streams are waste tire fees and container or freight user fees.
- Another strategy is to reclaim general fund revenues with a transportation nexus. Last session, the legislature redirected the interest earned on transportation accounts back to the transportation budget ($8 million a year).
- View freight mobility from an economic development perspective and fund improvements using general fund revenue.

- Consider revisiting sales tax exemptions for transportation projects. Looking at a $4 billion capital budget, that might mean $200 million or more a biennium. But this is a hard sell even with a general fund surplus.
- Use additional bonding capacity and extend bonding terms beyond current 25 years. Consider 40-50 year bonding on mega-projects with interest rates at historic lows.

In fact, Senator Marr points out that even if all these measures are implemented, the impact will be negligible with the exception of the sales tax exemption.

What else needs to be done at the state level?
Regions need to work together – both within their region and across regions. We need to talk about how each region of the state gets the infrastructure it needs. Transportation, education, and economic development are all connected. On a per capita basis, the Inland Northwest does a better job at producing college graduates needed for its local economy than other parts of the state. As the region builds its transportation vision, look at where the jobs will locate.

[*drawn from presentations by Senator Chris Marr, Senator Lisa Brown, Puget Sound Regional Council executive Director Bob Drewel and Transportation Secretary Paula Hammond*]

The State Perspective – *Idaho.*

Transportation is the third largest budget in Idaho at $525 million a year, but Representative Frank Henderson, who develops the transportation budget, says it is short $200 million of what ought to be spent. For twelve years, Idaho's Department of Transportation had no new revenue. Now, the State has available $1 billion in GARVEE Bond authority.

Grant Anticipation Revenue Vehicles (GARVEEs) are bonds that are repaid with future federal funds. In recent years, Federal law has expanded states' ability to tap Federal-aid highway funds as a potential bond repayment source. In this variation of a grant anticipation note, states can pledge a share of future Federal highway funding toward payment of debt service on a long-term bond issue.

Idaho also is using Sales Tax Anticipated Revenue (STAR), a new law allowing a Post Falls developer to pay for a new $25 million interchange and then recoup its

expenses through sales tax refunds in the coming years. Until the interchange cost is recouped, 65% of the sales tax collected at this Post Falls shopping center housing Cabela's would be rebated back to the developer.

In Idaho, as elsewhere, inflation is eating up a large amount of the budgeted amount for projects. Representative Henderson cites these statistics:

- Oil for asphalt is up 37%
- Aggregate is up 102%
- Base rock has increased from $5/ton to $13/ton
- Bridge deck concrete has increased from $298/cubic yard to $754/cubic yard

In part to respond to inflation and in part to meet transportation needs, some mix of new revenue will be proposed in the upcoming legislative sessions in Idaho.

[*drawn from remarks by Representative Frank Henderson, Post Falls, Idaho*]

The Local Perspective -- Local Needs

The Summit featured morning and afternoon breakout sessions on three topics: *Freight Mobility, Personal Mobility, and Economic Development.* These breakout sessions allowed business, government and community leaders participating in the Summit to have a free-flowing, yet orderly, discussion on the three broad topical areas. Several experts set the stage for placing issues and ideas on the table in each breakout session.

All three breakout groups identified the U.S. 395 Corridor as a critical for improving mobility for people and goods, as well as a key for future economic development. Along with U.S. 95 in Idaho, the U.S. 395 Corridor anchors a North/South connection from Canada to Oregon and beyond. WSDOT estimates that $150 million per year is needed to complete portion of U.S. 395 known as the North Spokane Corridor over the next 20 years (or $3.3 billion total inflated cost).

Funding and governance were discussed in all three breakout groups, with much focus on developing collaborative and coordinated approaches to meeting the infrastructure needs of the region.

Personal Mobility Breakouts

This discussion was succinctly summed up by its facilitator as "Less about me and more about we." Four Spokane Legislators participated in the sessions, during which much of the discussion centered on how to complete the North Spokane Corridor. Not everyone agrees with this priority, however, with some participants suggesting that the limited transportation dollars available be invested elsewhere, such as more sidewalks in North Spokane neighborhoods.

Representative Schindler wondered if the message from Olympia "is that we are on our own?" She stressed that for the citizenry to be willing to support taxes, the public must be convinced of the need for transportation funding and how it will be used. She suggested that details of project costs be publicized better to help bring the public along and also suggested public-private partnerships be pursued.

Representative Wood talked about the many various demands for state funding – funding requests are overwhelming and there are many financial constraints. He is waiting on the Puget Sound area's vote on a regional transportation package before the State can figure out what it can or can't do for Spokane.

Senator Marr emphasized that legislators from the area must support taxes if the region expects to start seeing more state money for its priorities. The solution must include growth planning, leveraging local funding options and revenue, and regional teamwork to develop a means for funding U.S. 395.

Rep. Ahern said that Spokane gets only 64 cents back on every dollar of gas tax raised locally. He suggested the state privatize Washington State Ferries to free up more money for Spokane. He also said that buses need to be promoted more and that the region should look at creating a regional transportation improvement district.

Overall, whether discussing the North Spokane Corridor or other transportation needs, most agreed on the need for a bigger vision for whole area. Several people commented that growth planning is very weak – because the region is mostly rural and lacks density, people have to drive everywhere and there are few modal choices to avoid that. There are no travel options besides the personal auto heading north of Spokane or east into Idaho.

Several other personal mobility challenges were tackled, all relating to making better connections between modes and from local to state infrastructure. Connectivity is important and happens via different travel modes. And, because travel starts on local roads, counties and cities must be included in planning and constructing.

Ideas to improve connectivity that surfaced:

- Improve on the existing bus system.
- Promote transit with a public relations campaign.
- Make the bus system convenient.
- Create hubs to help commuters consolidate trips, such as child care available at an employer's location and co-locating needed services.
- Secure right-of-way for rail and reserve former rail beds for future use.
- Build rail infrastructure to guide growth before more growth occurs.
- Adopt a "complete streets policy."
- Create a city-wide Local Improvement District to build sidewalks.
- Build intermodal facilities for connectivity between the airport and downtown.
- Create a shuttle system between key areas – such as between the university district and the medical district.
- Create a 20-year vision for a Pedestrian/Bike system.
- Make use of state resources in the Commute Trip Reduction program.
- Focus on people with special needs and vulnerable citizens.
- Talk with tribes about their unique resources and needs. They can be part of the cooperative solution.

The discussion also included creating a regional priority list. In response, Transportation Commissioner Dale Stedman explained that the Spokane Regional Transportation Council (the federally designated Metropolitan Planning Organization) has a prioritized regional project list but that less expensive projects tend to get done because the big projects can't get enough funding to complete them. Participants also discussed the need for any future prioritization process to be public and inclusive. The public must be convinced that planners and public officials are doing the right thing.

Freight Mobility Breakouts

The Spokane area and Inland Northwest aspires to be a bigger player in the global economy. Agricultural and forest products from the region move across international borders. The proposal for an Inland Pacific Hub (Global Gateway), the development of the North Spokane Corridor, and rail and barge connections are all critical for freight movement.

Five key needs were identified:

- Airport improvement, focused on extending the runway for cargo planes.
- Improving the U.S. 395/95 Corridor for north-south freight traffic.
- Cost-benefit analysis for an intermodal trans-load facility.
- Creation of a Port of Spokane.
- Funding. Possible funding sources identified were:
  -- A sales tax exemption for building transportation facilities.
  -- More federal dollars.
  -- Charging for the NEXUS service at border. NEXUS provides simplified, border crossings for pre-approved, frequent travelers, including dedicated lanes at various border crossings to reduce traffic congestion and delays.

To create a strategic freight system for the Inland Northwest region, we need to know:

- **What goods are moving?**
- **What needs to move?**
- **What is restricting movement? Are there bottlenecks and chokepoints?**
- **How do we fix it?**
- **Where will the money come from?**

The discussion touched on every transportation mode and concluded that all modes need additional investment. People want choices. Shippers explained that they determine the mode to use based on the handling needs of the freight. Some perishable items require air transport; for bulk items the shipper can choose among barge, train or truck, depending on availability and price.

Rail availability is very important – especially to the agricultural economy of the Inland Northwest. Many rail issues were raised:

- Loss of rail creates impacts on county roads.
- Need to eliminate the Stampede Pass bottleneck.
- Personal safety and freight velocity requires more grade separation.
- How to increase rail capacity.
- Coordination between BNSF and Union Pacific is needed.
- The regional role in PCC ownership and operation.

County commissioners emphasized that many transportation projects in the rural area are low cost and that money spent there can go a long way. All–weather roadways are needed to improve freight movement. Capacity for additional cargo also exists on the Columbia-Snake River System and can reduce road impacts.

Economic Development Breakouts

Spokane is in a key strategic location with excellent assets. Seventy percent of the cargo that comes into Seattle and Tacoma ports heads inland.

Themes developed in these sessions were:

- Importance of regionalism. Be truly regional.
- Plan for the future – think long-range. Link investments to quality of life.
- Develop a process and leadership. The regional decision making process is weak and fragmented.
- Anything that will benefit a part of the Region will eventually benefit the entire region.

Assets include an available and experienced labor force, growing trade with Canada, and the ability to get freight and goods into the area through a variety of transportation modes: U.S. 395, I-90 , rail, and air. Issues to address are potential linkages that can improve freight mobility – especially the U.S. 395 Corridor -- and the advantages that a port can bring. In addition, specific topics raised in the sessions included partnerships, air travel, and tourism.

Partnerships. The U.S. 12 Coalition in Walla Walla has succeeded in moving forward with four-laning U.S. 12 by emphasizing safety & economic vitality. Both the U.S. 12 Coalition and the RailEx project have demonstrated that private investment will follow public investment. There is a strong need to get produce and products from Eastern Washington to East Coast. Tribes also focus on economic development. Economic development efforts need to be inclusive and bring state, federal, tribal and international governments together.

Air service is key to many types of economic development but continues to be a challenge to Eastern Washington. Price is the driver in commercial air service availability and frequency. Although Spokane will continue to be a hub for lightweight air cargo, there is much concern that development around the airport will constrain airport growth.

Tourism is important to economic development in the Inland Northwest. In 2005 visitors spent $688 million in the Spokane area. There is much growth potential for tourism, but there is a perception that the area is hard to get to. The Spokane region needs to make it easier for travelers, especially Canadians, to get there.

Expansion of the convention center has allowed Spokane to have larger national conferences. Improved train service to the region and light rail or streetcars for travel in the city were suggested to enhance tourism.

The Local Perspective -- Local Funding

Local Funding in Washington.
The mix of programs that provide local funding for transportation is about as complex as the transportation system itself. But this not a bad thing – given the diversity of counties, cities, and towns, the diversity of needs that exist, and the 37% cost inflation over the last two years, we need as many options as possible.

> Trying to understand the mix of programs that provide local funding for transportation is like trying to solve the Rubik's cube.
>
> -- Steve Gorcester, Executive Director, Transportation Improvement Board

Counties rely primarily on the unincorporated area road levy and the county share of the state fuel tax. Rural areas in counties benefit from two grant programs managed by the County Road Administration Board and 10 urban counties receive assistance from the Transportation Improvement Board (TIB).

Cities rely primarily on the city share of the state fuel tax, bonds, the urban corridor and urban arterial grants from TIB. Transit agencies are funded mainly through local sales tax revenue, federal grants and farebox receipts.

Counties and cities both may receive federal grants through the Regional Transportation Planning Organization (RTPO) serving their area, and some may collect significant impact fee revenue depending on growth in the respective county or city. Freight mobility projects, whether in cities or unincorporated areas, may receive grants from the state through the Freight Mobility Strategic Improvement Board (FMSIB), loans from the Public Works Trust Fund, and loans and grants from the Community Economic Revitalization Board.

Keep in mind that cutting project costs is as good as raising money. When the City of Spokane began its rehabilitation on the Monroe Street bridge, it discovered that the arches were very strong and did not need replacing. Adaptability can help achieve affordability.

Partnerships increasingly are a key aspect of local project funding. Fully 80% of TIB projects have partnerships. One excellent example is the $17.7 million Myra Road Corridor in Walla Walla County. A strong partnership between the county, the Cities of Walla Walla and College Place, it received the largest TIB and FMSIB grants ever. By trading off project control, enormous revenue capacity was gained.

Funding partners for the Myra Road Corridor:
• $8,123,212 from TIB
• $2,952,610 from Walla Walla County
• $4,230,000 from FMSIB
• $1,599,549 from the City of Walla Walla
• $692,264 from the City of College Place
• $78,817 from Valley Transit
• $78,817 from the Port of Walla Walla

Yet another potential source for local revenue for transportation is the port district. These local governments, authorized by the state legislature since 1911, allow citizens within all or a portion of a county to create a governmental partnership with the private sector that is focused on promoting trade and economic development. The 75 port districts in Washington operate shipping terminals, marinas, docks, airports, railroads, industrial sites, and recreational facilities. Ports have the authority to levy a property tax, borrow money and issue bonds, as well as the ability to charge for services, in order to bring economic development – through investment and jobs -- to their communities.

Local Funding in Spokane.

The Legislature has granted over 12 taxing options to local jurisdictions for transportation funding. Of those, the Spokane region is using only two. Two options were precluded for legal reasons; four contain geographic or demographic barriers to implementation.

Long in place, the property tax road levy is used by counties and up to $2.25 per thousand dollars of valuation can be assessed in unincorporated areas. Spokane County is currently levying $1.63 per thousand. Transit tax is assessed as a sales tax at a rate of .06 percent (of a possible .09%) and about $45 million a year is collected.

Authority to impose a city street utility charge was invalidated by the Washington Supreme Court in 1995. Local option motor vehicle licensing fees, used by four Puget Sound counties, were repealed by Initiative 776.

Funding options that are still available, but not to Spokane or most of the Inland Northwest:

- A border area motor fuel tax, limited to cities within 10 miles of an international border;
- Local option HOV tax, available only to three Puget Sound counties;
- Local ferry tax;
- Regional Transportation Improvement District (RTID) options which include a sales tax, license fees, motor vehicle excise tax, parking tax, tolls and local option fuel tax. Currently limited to three Puget Sound counties.

Options remaining available:

- Local option county fuel tax up to 10% of state fuel tax. Not currently used anywhere in Washington; imposition in Spokane County would generate about $10 million annually at the full rate.
- Transportation Benefit Districts can be citywide, countywide or multi-county and are authorized to use a range of taxing options similar to the RTID in Puget Sound: a sales tax up to .02%; excess property tax levies, tolls, and motor vehicle license fees (up to $20 annually with councilmanic vote and up to $100 annually with public vote)
- Counties and cities may impose a commercial parking tax.
- Regional Transit Authorities may employ a motor vehicle excise tax, employer tax and sales tax for high capacity transit.
- Latecomer fees;
- Development fees;
- Local Improvement Districts.

Another important piece of the funding puzzle could be assisted through creation of a Port District. There is not a major economic region in the world without a port.

[*drawn from remarks by Senator Lisa Brown, Transportation Improvement Board Executive Director Steve Gorcester, and Port of Tacoma Executive Director Tim Farrell*]

The Local Perspective -- *North Spokane Corridor*

U.S. 395 is a major north-south transport link, which moves people and goods between the United States, Mexico and Canada. Since implementation of the North American Free Trade Act, more than $13.5 billion worth of commodities are transported annually along the corridor. U.S. 395 also supports regional and local commerce and serves as a major commuter route connecting the City of Spokane to the rapidly developing northern residential communities of Deer Park, Chewelah and Colville. Improvements will allow motorists to move more safely and efficiently and enhance a major freight route growing in importance.

The need for improvements in this North Spokane Corridor was raised by several speakers in plenary sessions in the context of dwindling state and federal resources, and also was a major topic in each of the breakout sessions – freight

mobility, personal mobility, and economic development. In taped addresses, both Senator Patty Murray and Representative Cathy McMorris Rodgers emphasized the need for the entire region to collaborate and set priorities for transportation planning and investments, including the North Spokane Corridor.

Many of those attending the Summit now have a better understanding that local funding is needed to complete the North Spokane Corridor and make other transportation improvements. Local resources alone, however, also will be inadequate to complete it. As suggested by the Congressional leadership that spoke, a partnership including federal, state and local funding sources will be necessary to complete this project.

Why is WSDOT building the North Spokane Corridor?

This project addresses the need for a major improvement to allow motorists and freight to move through metropolitan Spokane along the corridor from I-90 to U.S. 395 at Wandermere. There is increasing congestion and other operational and safety issues on the existing street network. As proposed, the project will provide balanced transportation, including park and ride lots to support transit and vanpooling operations, as well as an expanded and enhanced pedestrian/bicycle facility. Right of way will also be reserved for possible light rail use.

When complete, the North Spokane Corridor will provide a 60-mile per hour, limited access highway with a direct connection to I-90 just west of the existing Thor/Freya Interchange. Other interchanges are planned for locations such as Trent Avenue (SR 290), Wellesley Avenue, Francis / Freya Street, Parksmith Drive, U.S. 2, and U.S. 395 at Wandermere. The project will be developed in two major phases:

- **Phase 1** - Spokane River North to U.S. 395 at Wandermere.
- **Phase 2** - Spokane River South to extend the corridor between I-90 and the Spokane River. Phase 2 will also include a Collector/Distributor system along I-90 between the Liberty Park and Sprague Avenue Interchanges.

Overall, WSDOT identifies the following benefits:

- Ability to travel between Wandermere and I-90 in less than 12 minutes.
- A free flowing facility which doesn't conflict with schools, parks, shopping areas or pedestrians, but has reasonable access to these areas.

- Fewer trucks on the local streets because they will use the freeway for north/south through movements.
- Cleaner air because of less stop-and-go traffic.
- A safe bike/pedestrian corridor which connects to the Centennial Trail at the Spokane River, park and ride lots along the route, and other established bike paths and neighborhoods along the way.
- Increased jobs due to construction spending in the community and increased economic vitality.

How long will it take to build the North Spokane Corridor?
The answer to this frequently asked question is: it depends on funding commitments from the State of Washington, the Federal Highway Administration, and locally raised funds. Because future funding levels are unpredictable, the exact construction project schedule cannot be determined.

It appears that significant local money will be needed to leverage other funding sources, whether federal, state or a public/private partnership. Some local funding options will prove to be more viable than others.

[*information drawn from WSDOT materials and discussions in breakout sessions at the Summit*]

Funding Options for the North Spokane Corridor

It will take a combination of tax and revenue sources to fully fund the North Spokane Corridor – revenue coming from the region, counties, cities, the state, and the federal government – in an amount currently estimated to at $3.3 billion or $150 million per year over the next 20 years. As requested by Governor Gregoire, the Transportation Commission will identify potential funding options for this project, early in 2008.

Regional Investment
Washington law allows one or more counties to create a transportation benefit district (TBD) and define its boundaries accordingly. To take full advantage of existing local taxing authorities, the Washington portion of the Inland Northwest could create a regional transportation benefit district. Without a public vote, a TBD can impose a $20 vehicle license fee. Taxes that a TBD can propose and implement upon a favorable public vote are as follows:

- Sales and use tax up to 2/10 of one percent;
- Excess property tax levy;
- Vehicle license fee up to $100;
- Tolls;
- Transportation impact fees.

County Investment

Counties may impose a local option fuel tax on a countywide basis up to 10% of statewide tax. Imposed in Spokane County alone, the local option fuel tax would generate about $11 million a year; if also imposed in the three counties directly to the north, it could generate an additional $1.4 million annually.

County transportation investment authority also includes:

- A Road Improvement District (RID) in a limited geographic area for specific road improvements -- requires vote or petition of affected citizens.
- Commercial parking tax for general transportation needs (no rate set in law).

City Investment

- A Local Improvement District (LID) in a limited geographic area for specific road improvements -- requires vote or petition of affected citizens.
- Commercial parking tax for general transportation needs (no rate set in law).

State Investment

- Utilize a public/private partnership approach, such as soliciting private investment in return for a waiver of a certain percentage of the state sales tax until the investment is recouped over a number of years.
- Stretch available funding dollars by removing state sales tax from transportation construction – statewide this would total nearly $180 million in the 2009-11 biennium.
- Toll the entire corridor.
- Apply a mileage based fee.
- Seek funding from the General Fund – perhaps from the LIFT program – based on the projected regional economic development from the project.
- Enact a corridor commercial truck fee/toll.

Next Steps

The success of the Summit depends on the business, government and community leaders from the Inland Northwest. Leadership must step forward to develop a positive action plan and follow it through to implementation.

This Summit provided the opportunity for developing a set of strategies aimed at meeting the future transportation needs of the people and the diverse economic sectors of the entire Inland Northwest -- from Walla Walla to Lewiston, Coeur d'Alene to Pullman and Colville. Ultimately the success of the Summit depends on the business, local government and community leaders from the Inland Northwest who came and participated.

Everyone who attended should have left the event with a better understanding of the challenges and opportunities to improve transportation and economic vitality; now leadership from the Inland Northwest must step forward to develop a positive action plan and commit to follow it through to implementation.

An action plan should be visionary and pragmatic. The vision should be forward looking and responsive to future land use decisions, quality of life choices and climate change pressures. And to be practical, the vision must be phasable, fundable, and flexible over time. It must include:

- Regional partnerships among the different governmental entities;
- Partnerships between the public and private sector;
- A clear set of priorities -- there never will be enough money;
- Working with Olympia and Boise to achieve a common goal that benefits not only the region but the two states as whole.

And, Transportation Chair Dick Ford added, "To be successful, you must be very patient and keep at it."

The Inland Northwest should learn from what other areas have done, then craft its action plan based on its own needs and circumstances. It would be good to begin by looking at the Walla Walla region in the southern expanse of the Inland

Northwest. Their community leaders built a coalition of public and private leaders with a uniquely sharp focus.

The Walla Walla coalition then picked a few important projects. It works without distraction on them; there is no confusion in that region or Olympia as to their highest priority. And, Walla Walla has expertly leveraged local assets to bring other money to the table – the RailEx project is a $100 million investment of private and public funds that began with a commitment of $2 million of locally-generated money.

An action plan should be visionary and pragmatic. It must include:

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- Partnerships between the public and private sector;
- A clear set of priorities -- there never will be enough money;
- Working with Olympia and Boise to achieve a common goal that benefits not only the region but the two states as whole.

Finally, some of the next steps that need to be taken go beyond what the Inland Northwest can do on its own. There are several steps that the state and federal government must act on, most of which multiple presenters suggested:

- The State must accelerate moving forward with tolling initiatives or pricing based on per mile charges. Tolling not a solution everywhere and pricing can both be used to address congestion and be phased in as a gas tax replacement.
- Create match opportunities to leverage state funding.
- Press for higher federal gas taxes. Every state has critical transportation needs and the federal government must be part of the discussion.
- An additional 5 cent state gas tax is doable. It must focus on needs outside the Puget Sound region and must leverage its impact.

[*drawn from remarks by Senator Chris Marr, Senator Lisa Brown, Transportation Commission Chair Dick Ford, Transportation Secretary Paula Hammond, and the Shaun Higgins interview with Bob Drewel*]

SPEAKERS AND PRESENTERS

Ed Barnes, Commissioner, Washington State Transportation Commission

Senator Lisa Brown, Majority Leader, Washington State Senate

Judy Cole, Director of Business and Public Affairs, Avista Utilities

Robert A. DeHaan, Deputy Assistant Secretary, Transportation Policy, U.S. Department of Transportation

Bob Distler, Commissioner, Washington State Transportation Commission

Bob Drewel, Executive Director, Puget Sound Regional Council.

Tim Farrell, Executive Director, Port of Tacoma

Tom Fitzsimmons, Chief of Staff, Governor's Office

Richard Ford, Chair, Washington State Transportation Commission

Elmira Forner, Commissioner, Washington State Transportation Commission

Senator John Goedde, Idaho State Senate

Steve Gorcester, Executive Director, Washington State Transportation Improvement Board

Reema Griffith, Executive Director, Washington State Transportation Commission

Paula J. Hammond, Secretary, Washington State Department of Transportation

Representative Frank Henderson, Idaho House of Representatives

Shaun Higgins, Director of Sales and Marketing, Spokesman-Review

Latisha Hill, Regional Business and Project Manager, Avista Corp.

Senator Chris Marr, Vice Chair, Senate Transportation Committee, Washington State Senate

Francis P. Mulvey, Member, Surface Transportation Board

Senator Patty Murray, Chair, Senate Transportation Appropriations Subcommittee, U.S. Senate

Representative Cathy McMorris Rodgers, U.S. House of Representatives

Dale Stedman, Commissioner, Washington State Transportation Commission

BREAKOUT SESSION FACILITATORS AND RESOURCE SPEAKERS

Genesee Adkins, State Policy Director, Transportation Choices Coalition.

Matt Ewers, Vice-President, Inland Empire Distribution Systems, Inc.

Eric Jessup, Assistant Research Professor, School of Economic Sciences, Washington State University.

Pat Jones, Executive Director, Washington Public Ports.

Jim Kuntz, Executive Director, Port of Walla Walla.

Carol Moser, Commissioner, Washington State Transportation Commission.

Dan O'Neal, Commissioner, Washington State Transportation Commission.

Ashley Probart, Municipal Associate, Association of Washington Cities.

Theresa Sanders, Director, Economic Development, City of Spokane.

Karen Schmidt, Executive Director, Freight Mobility Strategic Investment Board.

Eldonna Shaw, President & CEO, Greater Spokane Valley Chamber of Commerce.

John Sibold, Director, Aviation Division, Washington State Department of Transportation.

Harry Sladich, President & CEO, Spokane Regional Convention & Visitors Bureau.

Katy Taylor, Director, Public Transportation Division, Washington State Department of Transportation.

Joe Tortorelli, Founder, and Principle, Economic Development Northwest.

Jay Weber, Executive Director, County Road Administration Board.

Larry Williams, Assistant Director, Economic Development and International Trade Division, Department of Community Trade and Economic Development.

Scott Witt, Director, State Rail and Marine Office, Washington State Department of Transportation.